



Annual Report 2021

1 Jan-31 Dec 2021



Työllisyysrahasto
Sysselsättningsfonden | Employment Fund



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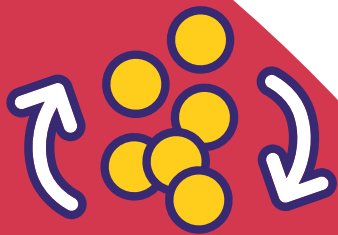


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Key matters in 2021



We financed unemployment allowances and adult education benefits with

3,750

million euros.

Our liquidity remained at a good level.



Adult education allowance was paid to

28,322

individuals, an increase of nearly 5% compared to the previous year.



We reformed our organisation and made our benefit service more customer-oriented.

Managing Director's review

We managed to provide security for changes in working life by performing our tasks reliably, while reforming our organisation and developing our services.

The second year of the COVID-19 pandemic was the Employment Fund's third year of operations. This means that we have been working remotely and in compliance with pandemic restrictions for two thirds of the new fund's existence. Despite the effects of the pandemic, we continued to excel in our task in 2021 by financing unemployment security and other types of social security. We also supported adults in developing their competences through adult education benefits.

OUR LIQUIDITY REMAINED AT A GOOD LEVEL

In 2021, unemployment benefit costs remained high due to the COVID-19 pandemic, which left the Employment Fund's financial result clearly in deficit. However, Finland's economic growth improved in the second half of the year, which was also reflected in a reduction in unemployment and an increase in employment. Despite the deficit, the Fund's

financial result clearly exceeded the estimate made when the 2021 budget was approved, and our liquidity was good throughout the year. We were able to collect unemployment insurance contributions comprehensively and excel in the financing tasks we are responsible for. To secure financing, it was decided to raise unemployment insurance contributions by a moderate amount in 2022, based on the Fund's proposal.

A NEW FINANCING TASK UNDER PREPARATION

The Employment Fund will face some changes as the additional days of unemployment insurance are phased out. The additional days will be replaced by a new security package, which the Fund will finance by collecting a new security contribution from employers. According to the legislative proposal, the changes will take effect at the start of 2023. >>





We have been preparing for their implementation since early 2021. In addition, we participated in preparatory work to determine how the upcoming transfer of Employment services to municipalities will affect the financing of unemployment benefits.

The possibility of expanding the scope of our tasks concerning adult employees' competence development was also examined in the spring. The proposals presented in June did not include an expansion of the Fund's current tasks, but there were several proposals concerning the present tasks and benefits. At the time of writing, the future of the proposals remains unknown.

THE ADULT EDUCATION ALLOWANCE REFORM CONTRIBUTED TO THE AUTOMATION OF APPLICATION PROCESSING

The reform of the adult education allowance came into effect in August 2020. As a result, the use of the adult education allowance

to combine study and work has increased somewhat, which was one of the objectives of the reform. The reform also led to a significant increase in the number of applications, as a two-stage application process was introduced. We responded to the increase by automating the processing of allowance applications and updating our systems. We aim to further increase the level of automation in the future.

The effects of the adult education allowance reform were assessed over the year, and the Ministry of Social Affairs and Health reported them to Parliament in December 2021.

We also reformed our organisation during the year to ensure that we are even better positioned to achieve our objectives and provide services in an efficient and customer-oriented manner. In the autumn, we finalised our customer strategy, which facilitates a systematic approach to developing our services and operations in accordance with the needs of our customers and operational environment.

WE PREPARED OUR MOVE TO NEW OFFICE PREMISES

In early 2021, we made the decision to move to new premises in Ruoholahti, Helsinki. Our personnel was extensively involved in preparing the move, and based on their feedback, the new premises were designed as an activity-based office to support today's working life and facilitate varied ways of working. We were able to move to the new premises in early 2022. As COVID-19 is still with us at the time of writing, we have not yet been able to make more extensive use of the new premises. We hope 2022 allows us to do so.

All in all, we managed to perform our tasks to a high standard, and provide security for changes in working life, as defined in our strategy. Our highly skilled and competent personnel deserve heartfelt thanks for all their efforts last year.

JANNE METSÄMÄKI
Managing Director



Key figures 2021

EUR million	2017	2018	2019	2020	2021	Change EUR million	Change %
INCOME							
Employer contribution income	1,769	1,458	1,238	993	1,160	167	17%
Employee contribution income	1,243	1,519	1,379	1,073	1,241	168	16%
Government contributions	945	774	688	1,248	911	-337	-27%
Liability component income	54	50	39	26	23	-3	-12%
Net financial income	-5	-7	8	-16	3	19	
TOTAL INCOME	4,006	3,794	3,353	3,324	3,338	14	0%
EXPENSES							
Unemployment funds	-1,320	-1,068	-954	-1,372	-1,463	91	7%
Government contribution, funds	-945	-774	-685	-1,245	-909	-336	-27%
Finnish Centre for Pensions	-768	-620	-577	-870	-902	32	4%
Social Insurance Institution of Finland	-208	-228	-206	-207	-239	32	15%
Adult education benefits	-151	-187	-187	-197	-186	-11	-6%
Ministry of Economic Affairs and Employment	-19	-20	-24	-25	-14	-11	-44%
State Pension Fund	-13	-12	-8	-9	-11	2	22%
Administrative expenses	-11	-13	-19	-21	-26	5	24%
TOTAL EXPENSES	-3,435	-2,921	-2,659	-3,947	-3,750	-197	-5%
INCOME FOR THE PERIOD	572	872	694	-623	-412		
NET POSITION	106	969	1,668	1,045	633		

Strategy, mission, vision and values

The strategy of the Employment Fund includes its mission, vision, strategic goals and values.


Our mission is captured in our slogan: *We provide security for changes in working life*. Our vision is to be a superior executor of social security.

Our values are: our customers come first, we renew, we evolve, we act, and we are a united team.

In 2021, we continued to build the foundation of the Employment Fund and advance our strategic goals. Central to this was ensuring operational compliance, promoting digitalisation, and ensuring high-quality

services for our customers. We are constantly striving to increase the efficiency and quality of our operations and to improve the skills of our employees to support this development.

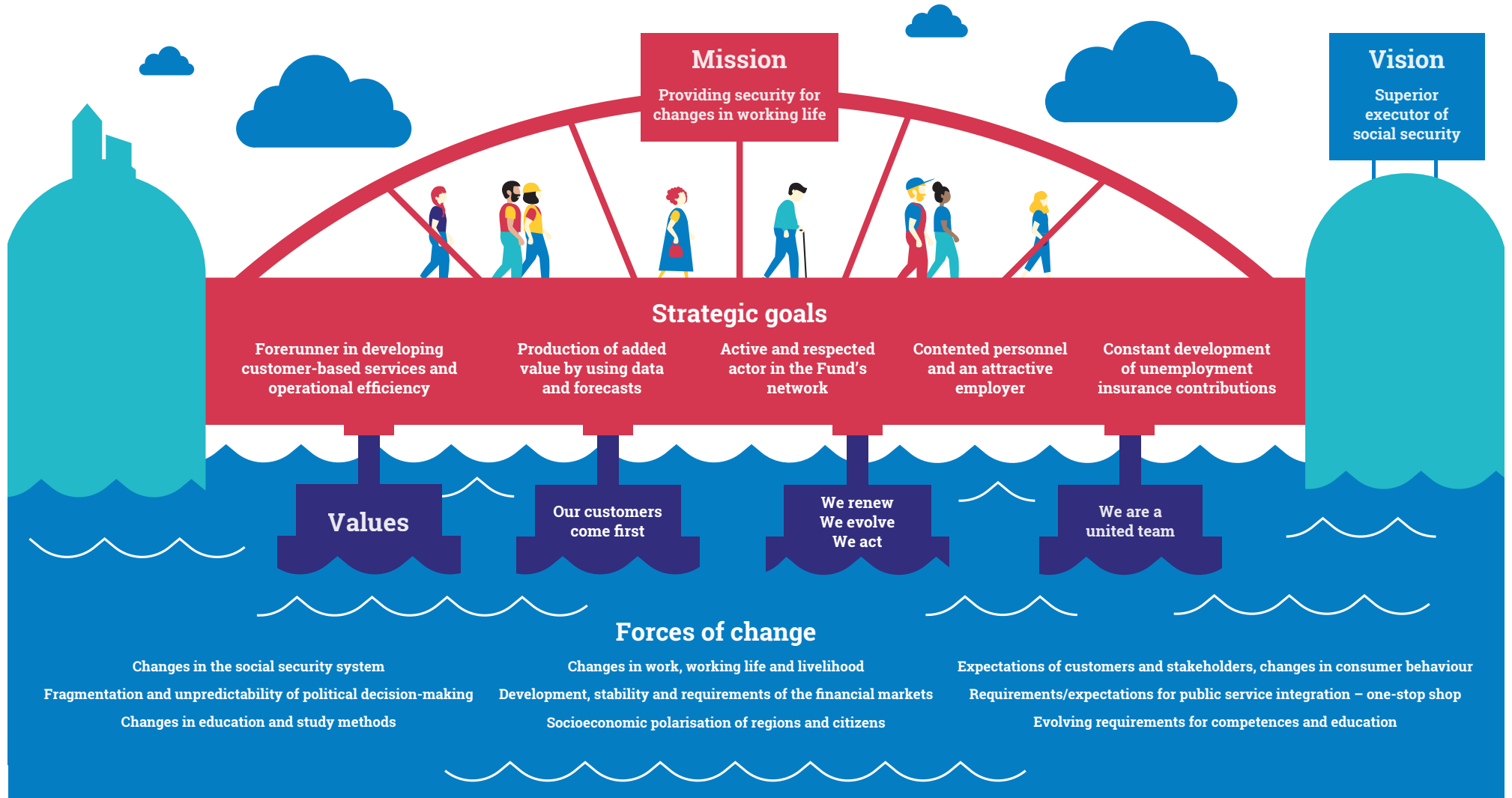
In the autumn of 2021, we finalised our customer strategy, which was approved by the Employment Fund's Board of Directors in October. The new customer strategy facilitates a systematic approach to developing our services and operations in accordance with the needs of our customers and operational environment, i.e. we give priority to our customers in accordance with our values.



Providing security
for changes in
working life



The Employment Fund's strategy



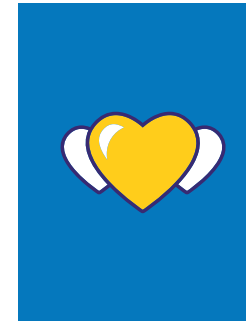
Our strategic goals are

- becoming a frontrunner in developing customer-based services
- developing operational efficiency and impact
- producing added value by using data and forecasts
- to be an active and respected actor in the Fund's network
- to be an attractive workplace with contended personnel
- ensuring the constant development of unemployment insurance contributions.

Our action plan for 2021 was primarily focused on these goals.

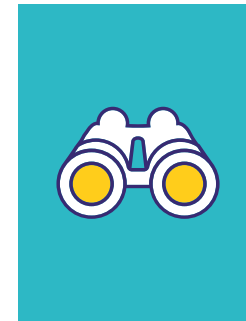
The fulfilment of these goals was monitored and evaluated especially in terms of efficiency, customer experience, and staff satisfaction. The Employment Fund's Board of Directors regularly evaluates the Fund's progress towards its strategic goals. The Board also holds an annual strategy meeting.

“We are constantly striving to improve the efficiency and quality of our operations.”



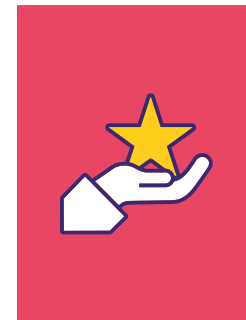
MISSION

We provide security for changes in working life



VISION

Superior executor of social security



VALUES

Our customers come first
We renew, we evolve, we act
We are a united team

A large, stylized white silhouette of a bird, possibly a crane or heron, is positioned on the left side of the page. The bird is facing right and has its neck curved upwards. The background is a solid red color.

Report of the Board of Directors

The Employment Fund's duties

The Employment Fund's main duties are to finance unemployment benefits, assess and collect unemployment insurance contributions, and finance and grant adult education benefits.

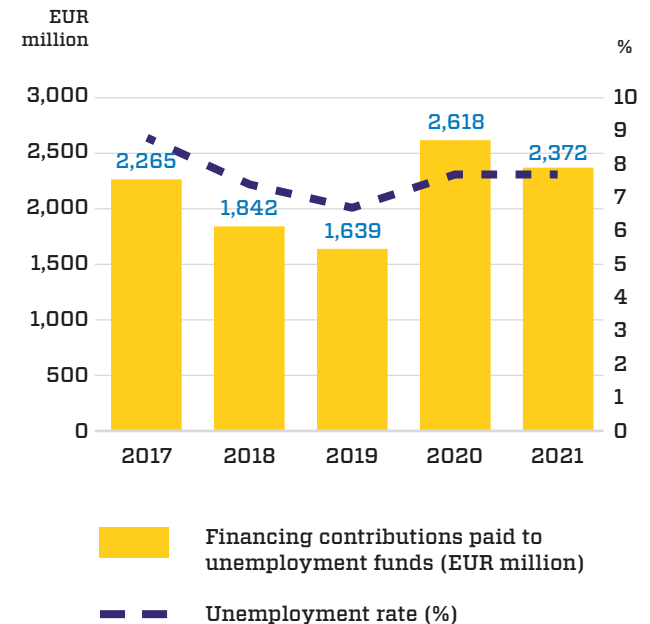
The Fund collects unemployment insurance contributions paid by employers and employees. The unemployment insurance contribution percentages are confirmed annually by an act of parliament. Unemployment insurance contributions have been assessed on the basis of income information reported to the Incomes Register since January 2019. In order to safeguard the stable development of contributions the Fund has a business cycle buffer, which enables it to resist the pressure to increase contributions when unemployment benefit costs increase.

The benefits financed by the Employment Fund include unemployment allowance paid by unemployment funds and Kela, as well as adult education allowance and scholarships for qualified employees paid directly by the Fund.

The Employment Fund is also responsible for financing earnings-related pensions accrued during periods when daily unemployment allowances, job alternation compensation and adult education allowances are paid. The Employment Fund remits a payment amounting to the basic daily allowance paid by the State to contribute to the daily unemployment allowances paid by unemployment funds.

The Employment Fund's operations are supervised by the Financial Supervisory Authority.

The Employment Fund's financing for the unemployment funds



We finance Finnish working life extensively



Collaboration with stakeholders

The Employment Fund collaborates extensively with many different parties.

We perform our statutory tasks in close collaboration with relevant ministries (the Ministry of Social Affairs and Health, the Ministry of Economic Affairs and Employment, the Ministry of Finance, and the Ministry of Education and Culture).

We are part of Finland's mandatory social insurance scheme, and in these matters we collaborate with unemployment funds, the Social Insurance Institution of Finland (Kela), the Finnish Centre for Pensions, the Finnish Workers' Compensation Centre (TVK), pension insurance companies, and labour market organisations, which are involved in the management of the Employment Fund. As a provider of adult education allowance, the Fund also collaborates with educational institutions. We are also building a partnership with the newly established Service Centre for Continuous Learning and Employment. In addition, the Employment Fund's tasks require effective cooperation with banks and financial institutions.

We communicate and interact with our stakeholders in a targeted way across multiple channels, taking each stakeholder's needs into consideration. For instance, we communicate with members of parliament, and employers who pay unemployment insurance contributions via a regular newsletter. In 2021, we organised webinars

for educational institutions and customers applying for adult education allowances.

On September 9, 2021, we organised a seminar called "Adult education allowance as part of continuous learning". The seminar was intended for our stakeholders who promote the theme of continuous learning together with the Fund. During the seminar we discussed how employees can develop their vocational competence throughout their career, how adult education allowance supports continuous learning, and how adult education allowance schemes could be developed. The topics were addressed by different presenters, combining research knowledge and experiences of life-long learning.

Our goal is to also act as an interesting source of information for the media regarding matters related to employees' social security, unemployment insurance contributions, and competence development. We provide and deliver information to the media and our stakeholders and publish regular press releases.



Unemployment insurance contributions

The Employment Fund assesses and collects unemployment insurance contributions and supervises the fulfilment of responsibilities related to the statutory unemployment insurance contributions.

The duty to pay unemployment insurance contribution is based on the Act on Financing of Unemployment Benefits (555/1998). Unemployment insurance contributions are collected from employees who are over the age of 17 and under the age of 65, as well as from their employer. However, the employer is not obliged to pay unemployment insurance contributions if the total wages paid by the employer during the calendar year does not exceed EUR 1,300.

No unemployment insurance contributions are paid from an entrepreneur's earnings. Part-owners as defined in the Unemployment Allowance Act (1290/2002) are obligated to pay unemployment insurance contributions, but the contribution percentage is lower than for employees.

All wages, bonuses or similar compensation that have been paid or have been agreed to be paid during employment or a service relationship as compensation for work will be considered income that can be used as a basis for unemployment insurance contributions.

The employer pays both their own and their employees' unemployment insurance contributions to the Employment Fund. The employer deducts the employee's unemployment insurance contribution from the employee's wage and reports the amount of wages paid to the Incomes Register. The Employment Fund determines the amount of unemployment insurance contribution



The Employment Fund determines the unemployment insurance contributions on the basis of the income information reported to the Incomes Register.

the employer must pay on the basis of the income information reported to the Incomes Register by the employer. The amount of unemployment insurance contributions is determined four times a year (in April, July, October and January) based on the actual wages paid by the employer.

THE UNEMPLOYMENT INSURANCE CONTRIBUTION IN 2021

On 27 August 2020, the Employment Fund's Supervisory Board made a proposal on the unemployment insurance contributions in 2021 to the Ministry of Social Affairs and Health. The contribution rates were increased for 2021 as proposed. (In the annual report, all the corresponding figures for 2020 have been presented in brackets.)

In 2021, employees' unemployment insurance contribution was 1.40% (1.25%) of their wages. Employers' contribution was 0.50% (0.45%) of paid wages, if wages were less than EUR 2,169,000 (2,125,500), and 1.90% (1.70%) for the part of wages and salaries

The unemployment insurance contribution rates were increased for 2021.

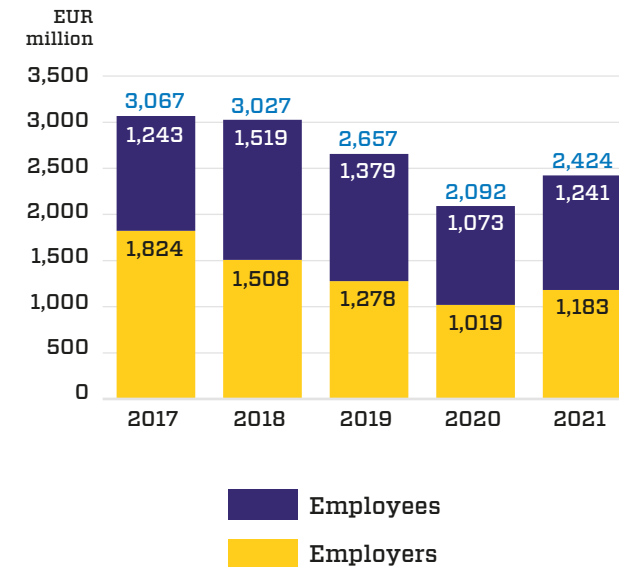
that exceeded it. The average contribution percentage for employers was 1.42% (1.25%).

The employee's unemployment insurance contribution for part-owners was 0.65% (0.65%) of paid wages, and the employer's unemployment insurance contribution for part-owners was 0.50% (0.45%) of their wages.

The unemployment insurance contribution for government enterprises was 0.50% (0.45%) of paid wages, if the wages were less than EUR 2,169,000 (2,125,500), and 1.15% (0.99%) for the part that exceeded it. Universities' contributions were 0.50% (0.45%) of paid wages if the wages were less than EUR 2,169,000 (2,125,500), and 1.38% (1.21%) for the part of wages and salaries that exceeded it.

In 2021, the unemployment insurance contribution income collected from employers was EUR 1,160 (993) million in total, and the liability component income paid by employers was EUR 23 (26) million in total. The unemployment insurance contribution income paid by employees was EUR 1,241 (1,073) million in total.

Unemployment insurance contributions collected



THE INCOMES REGISTER HAS BEEN SUCCESSFULLY INTRODUCED

Since 2019, unemployment insurance contributions have been assessed on the basis of the income information reported to the Incomes Register by the employers. With the introduction of the Incomes Register, the procedure for paying contributions changed from a prepayment model to an actual earnings model. The amount of unemployment insurance contributions is determined based on the actual wages paid by the employer.

Due to a legislative amendment, the prepayment model previously used for the determination of unemployment insurance contributions was permanently waived on 1 January 2021. Prior to 2021, the amount of unemployment insurance contributions could still be determined as an advance at the employer's request.

After the introduction of the Incomes Register and invoicing based on actual wages, the Employment Fund has been able to make more extensive use of automated decision-making. In 2021, more than 99% of decisions concerning unemployment insurance contributions were issued automatically.

The degree of automation in determining and invoicing unemployment insurance contributions has been approximately 99% since the introduction of the Incomes Register.

During 2021, customer contacts regarding unemployment insurance contributions steadily decreased. The decrease in customer contacts shows that the use of the Incomes Register and the new payment model have become common practice among employers.

EMPLOYERS' TRAINING COMPENSATION

The purpose of training compensation is to improve the employer's opportunities to organise training for its employees, to develop their vocational competence. Employers who are not entitled to deduct training costs in their taxation are entitled to training compensation. Municipalities, churches, non-profit organisations and foundations among other similar employers are eligible for training compensation.

The Employment Fund grants and pays training compensation based on the information provided in the application filed by the employer. The applications for training

compensation must be sent by the end of January of the next calendar year.

In 2021, the Employment Fund refunded approximately EUR 8.1 (11.6) million in compensation to 555 (609) employers for training that had taken place in 2020. The total number of training days stated in the applications filed by employers was 347,762 (557,100). Of the employers who received training compensation, 292 (301) were cities or municipalities.

SUPERVISION OF UNEMPLOYMENT INSURANCE CONTRIBUTIONS

The Employment Fund supervises the fulfilment of the responsibilities related to the statutory unemployment insurance contributions. The purpose of this supervision is to ensure that the reported wages, which determine the amount of the employer's unemployment insurance contributions, correspond to the actual wages paid, and that the unemployment insurance contributions are determined correctly. In addition, the supervision addresses any failures to pay unemployment insurance contributions.

Due to the introduction of the Incomes Register in 2019, the supervision is mainly



The increase in the number of layoffs due to the COVID-19 pandemic was reflected in the number of liability component cases submitted.

based on salary information obtained from the Incomes Register. In addition, information gathered from the Tax Administration, other authorities, and social insurance providers is used for supervision. The information gathered is compared to the information provided by the employer. Prior to the introduction of the Incomes Register, supervision was largely based on annual information received from the Tax Administration, which was compared to the salary information reported by the employer.

In 2021, the Employment Fund took 1,691 (1,773) cases under supervision. The supervision concerned cases from the period 2018-2021. The cases taken under supervision resulted in approximately EUR 2 (4.1) million of additional payments and approximately EUR 0.3 (0.4) million of refunds.

LIABILITY COMPONENTS OF EMPLOYERS' UNEMPLOYMENT ALLOWANCES

The Employment Fund may impose and collect a liability component from an employer if they have dismissed or laid off an older employee and the employee has been long-term unemployed or laid off. Unemployment benefit expenses caused by dismissals and layoffs are financed by the liability components. Provisions on the liability component and the collection procedure are plaid down in section 8a of the Act on the Financing of Unemployment Benefits (1998/555).

Approximately 10,700 (7,700) liability component cases were submitted to the Employment Fund in 2021. According to the Employment Fund's assessment, the increase in the number of layoffs due to the COVID-19 pandemic, among other things, was reflected in the number of liability component cases submitted in 2021. The Fund imposed a

liability component payment on the employer in around 1,200 (1,200) cases.

In 2021, liability component payments amounted to approximately EUR 23 million (26). The average processing time in cases that led to a payment decision was 42 (58) days.

COORDINATION ACCORDING TO THE EMPLOYMENT CONTRACTS ACT

An employer who has ended an employee's employment contract in violation of the provisions of the Employment Contracts Act is liable to pay compensation to the employee. The employer is also liable to pay compensation if the employee has been laid off in violation of the provisions of the Employment Contracts Act.

As a rule, 75% of compensation is deducted from the earnings-related daily unemployment allowance paid to the employee after the employment relationship has ended, when compensation is paid for salary losses due to unemployment.

In the case of lay-offs, the deduction to the Employment Fund is made from the earnings-related daily unemployment allowance paid to the employee during the period of wrongful lay-off. The employer pays these shares to the Employment Fund.

According to the Employment Contracts Act, the courts must hear the Employment Fund in disputes that relate to the termination of employment or temporary lay-offs if the claimant has received earnings-related daily unemployment allowance after the termination of employment or during the lay-off period. The payment of the deduction to the Fund must also take place when the employer and employee reach a settlement on the compensation payable for wrongful termination of employment or lay-off. The Employment Fund issued approximately 740 (790) statements and contract comments during 2021.

EMPLOYERS' SECURITY CONTRIBUTION

In 2020, the Finnish government decided on measures to improve the labour market position and working capacity of people over the age of 55. One of these measures was to remove the additional days of unemployment insurance for those born in 1965 and later. The additional days of unemployment insurance would be replaced, among other things, by a new security package aimed at supporting the re-employment of dismissed employees over the age of 55. The new security package would provide all over 55-year-olds with two months of transition security training and one month of redundancy compensation corresponding to the employee's salary.

According to the legislative proposal, if an employer dismisses the employee for production-related or financial reasons, the employer may be liable to pay security contribution. This would give the Employment Fund a new statutory role from January 1, 2023. Parliament is expected to approve the legislative amendments in the summer of 2022.

The Employment Fund would finance the security package by a security contribution, which would consist of an equal share paid by the dismissing enterprise and a common share. The common share would be financed from employers' unemployment insurance contributions.

In 2021, we were actively involved in the preparatory work concerning the legislative change and launched a project to implement the employers' security contribution scheme.



Adult education benefits

The Employment Fund grants and pays adult education allowance and scholarships for qualified employees to support professional capabilities as well as competence development.

The adult education allowance is granted to employees or full-time entrepreneurs in order to finance their efforts to update their vocational competence. Scholarships for qualified employees are granted after having completed vocational upper secondary level qualifications, further vocational education or specialist vocational qualifications.

Employees' adult education benefits are financed entirely from the unemployment insurance contribution income. The State is responsible for financing adult education allowances for entrepreneurs and scholarships for qualified employees working for the State.

In 2021, adult education allowances and scholarships totalled approximately EUR 185.7 million. The amount of adult education benefits paid decreased by about 6% compared to 2020.

ADULT EDUCATION ALLOWANCE TO SUPPORT VOCATIONAL COMPETENCE DEVELOPMENT

Adult education allowances have been granted since 2001. Employees and entrepreneurs who have been working for at least eight years may apply for an adult education allowance. The allowance is intended for maintaining and developing professional competence and may be granted for studies conducted under public oversight in Finland. These studies can lead to a full degree, a partial-degree or be further or continuing vocational training.

THE ADULT EDUCATION ALLOWANCE REFORM ENCOURAGED THE COMBINING OF STUDY AND WORK

The adult education allowance scheme was reformed by a legislative amendment, which entered into force on 1 August 2020. The main goal of the reform was to facilitate the combining of study and work. In addition, the aim was to encourage continuous learning among low-skilled or low-paid workers.

The number of adult education allowance beneficiaries combining work and study has increased since the legislative reform.

At the end of 2021, the Ministry of Social Affairs and Health submitted a report to Parliament on the effects of the reform. The Employment Fund has also actively monitored the effects of the reform and contributed to the report.

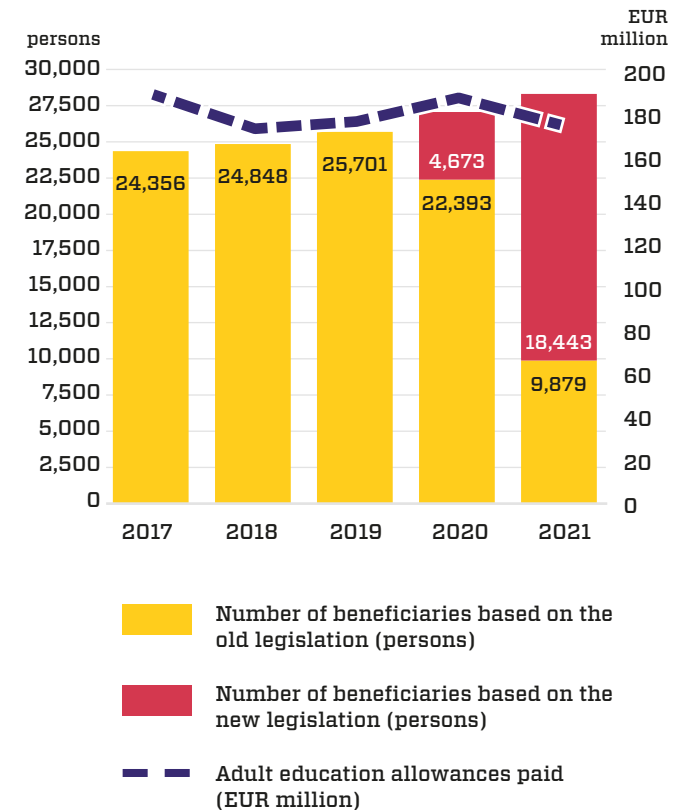
According to the report, employment during studies among adult education allowance beneficiaries has increased since the reform. However, the reform has not had a significant effect on the use of adult education allowance among low-skilled or low-paid workers. Due to the COVID-19 pandemic, the effects of the reform are still difficult to assess reliably.

THE POPULARITY OF ADULT EDUCATION ALLOWANCE CONTINUED TO INCREASE IN 2021

In 2021, adult education allowance was paid to 28,322 (27,066) individuals. The number of adult education allowance beneficiaries increased by 4.6 per cent from the previous year. 734 individuals received entrepreneurs' adult education allowance and 27,588 received employees' adult education allowance. Of all the beneficiaries, 65.1%, i.e. 18,443 individuals, received the reformed adult education allowance.

A total of EUR 175.3 (186.9) million was paid in adult education allowance. Despite the increase in the number of applicants, the total amount of adult education allowance paid decreased by about 6 per cent from the previous year. According to our assessment, this was due to legislative reform, which included changes to the calculation of the allowance, as well as more beneficiaries combining study and work.

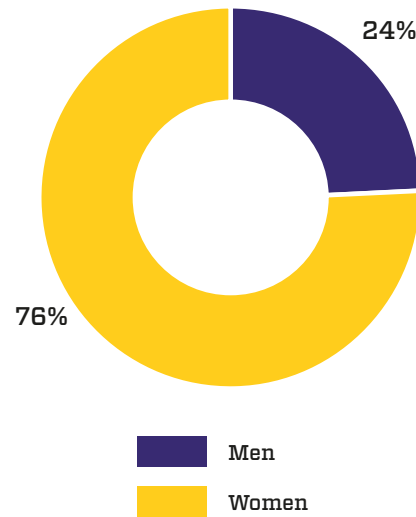
Number of beneficiaries and adult education allowances paid



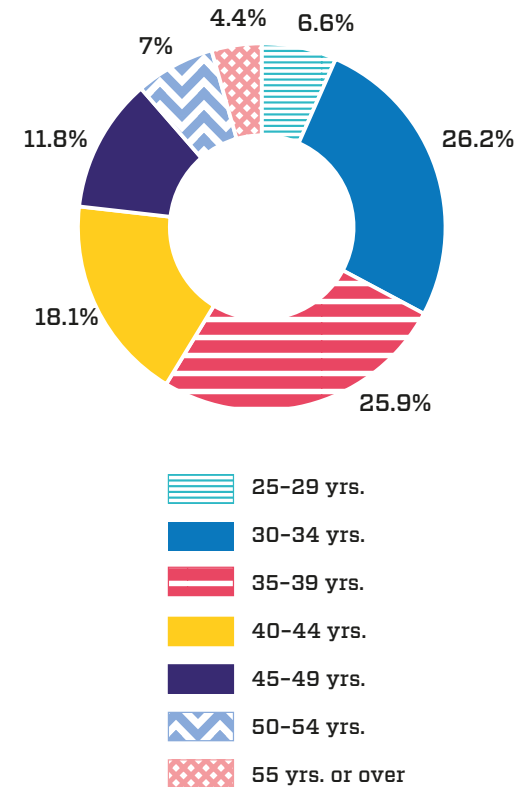
In the past, the majority of adult education allowance beneficiaries have been women under the age of 40. Also in 2021, a clear majority, 75.8%, of beneficiaries were women. 24.2% of beneficiaries were men. The age distribution of the beneficiaries also remained unchanged in 2021. 52.1% of beneficiaries were 30-39 years of age, and individuals over 40-49 years represented a share of 29.9%. Individuals over 55 accounted for 4.4% of beneficiaries. The 2020 legislative reform has not been found to have a significant impact on the gender or age distribution of beneficiaries.

In 2021, 42.5% (41%) of beneficiaries studied at universities of applied sciences, 27.4% (28%) at vocational institutions, 25.3% (28%) at universities and 4.8% (3%) at other educational institutions. The majority of beneficiaries, 82.8%, used the adult education allowance for education leading to a degree. 14.2% of beneficiaries used the allowance for studies leading to a partial-degree or further or continuing vocational training, and 3.0% used it for other training. Among beneficiaries who received the reformed adult education allowance, the share of those who used the allowance for education leading to a degree was slightly

Adult education allowance beneficiaries by gender in 2021



Adult education allowance beneficiaries by age group in 2021



lower, about 78.4%. The share of those who used the allowance for studies leading to a partial-degree or further or continuing vocational training was 17.6%, which means

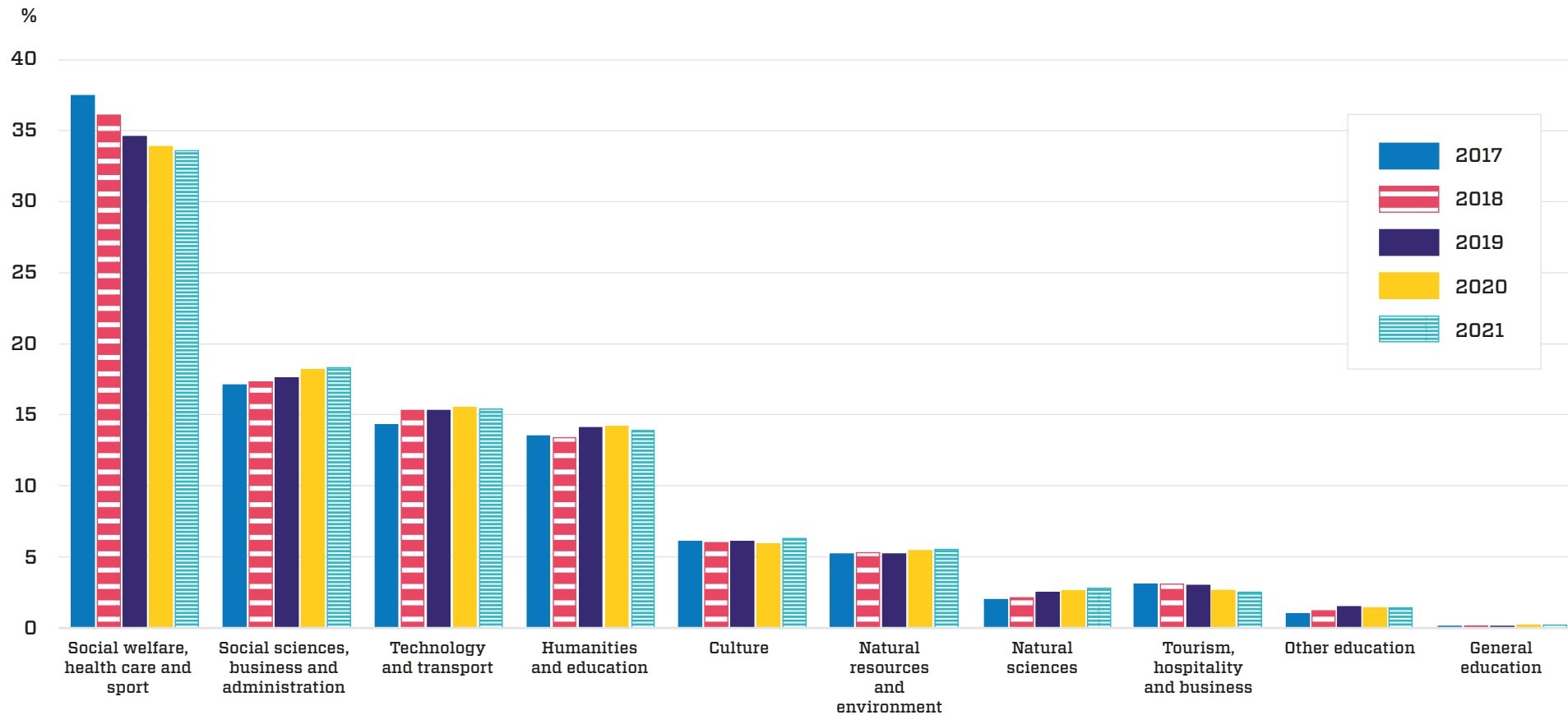
that smaller study modules were slightly more popular among those who received the reformed adult education allowance.



In 2021, as in the previous year, the most popular field of study for students obtaining adult education allowances was social welfare, health care, and sports, which accounted for 33.6% (34%).

The next most popular fields of study were social sciences business and administration, 18.3% (18.2%), and technology and transport, 15.4% (15.5%).

Adult education allowance by study field



In terms of employment, the adult education allowance was mostly used by those working in the field of public administration and national defence, whose share increased by six percentage points to 24.2% (18.3%). The next-largest sectors were health care and social services, 20.3% (23.3%), and wholesale and retail, 12.3% (12.0%). In the field of health care and social services, the decline in the popularity of the adult education allowance was likely due to the challenges posed by the

COVID-19 pandemic, which may have made it difficult to take study leave.

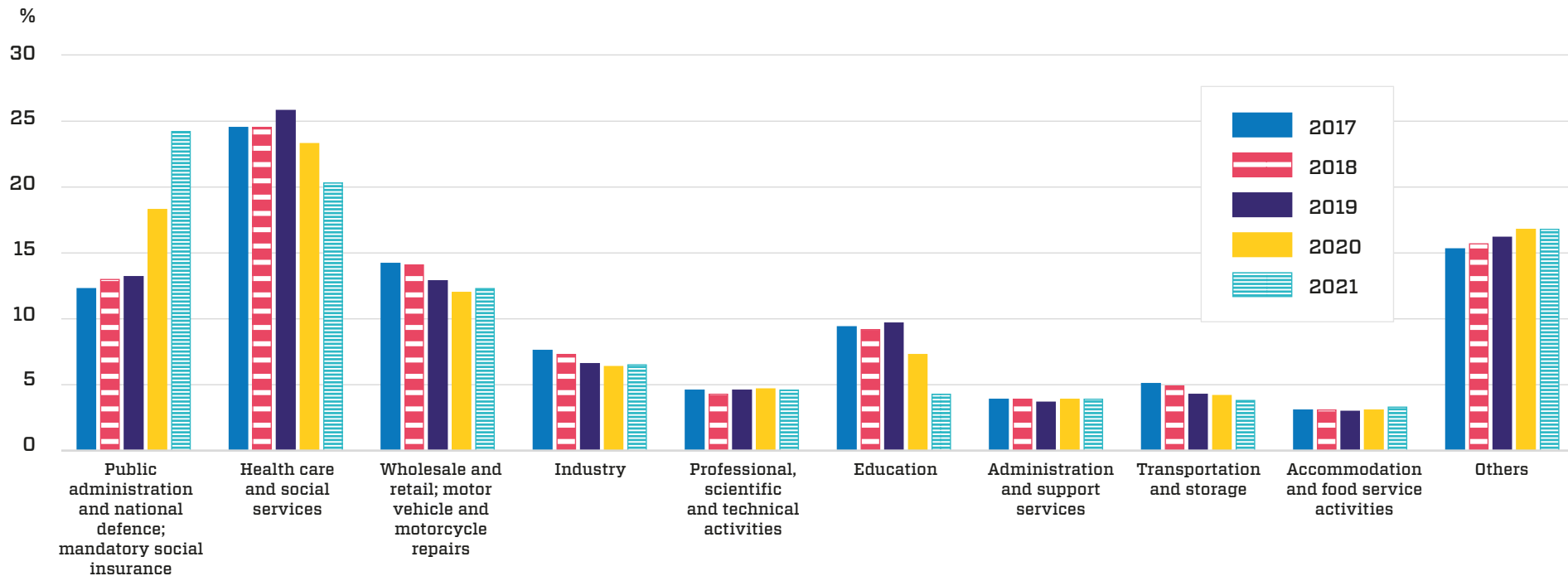
AUTOMATION FACILITATES THE PROCESSING OF APPLICATIONS

The application process for employees’ adult education allowance was reformed in connection with the legislative amendment that entered into force on 1 August 2020. The new application process is two-phased. The applicant must first submit an initial

application, and the Employment Fund will check the applicant’s eligibility for the adult education allowance. After receiving a decision on their initial application, the applicant can apply for an allowance payment retrospectively for each month.

The reform significantly increased the total number of adult education allowance applications received by the Employment Fund. In 2021, the highest number of initial

Adult education allowance by employer’s operating sector





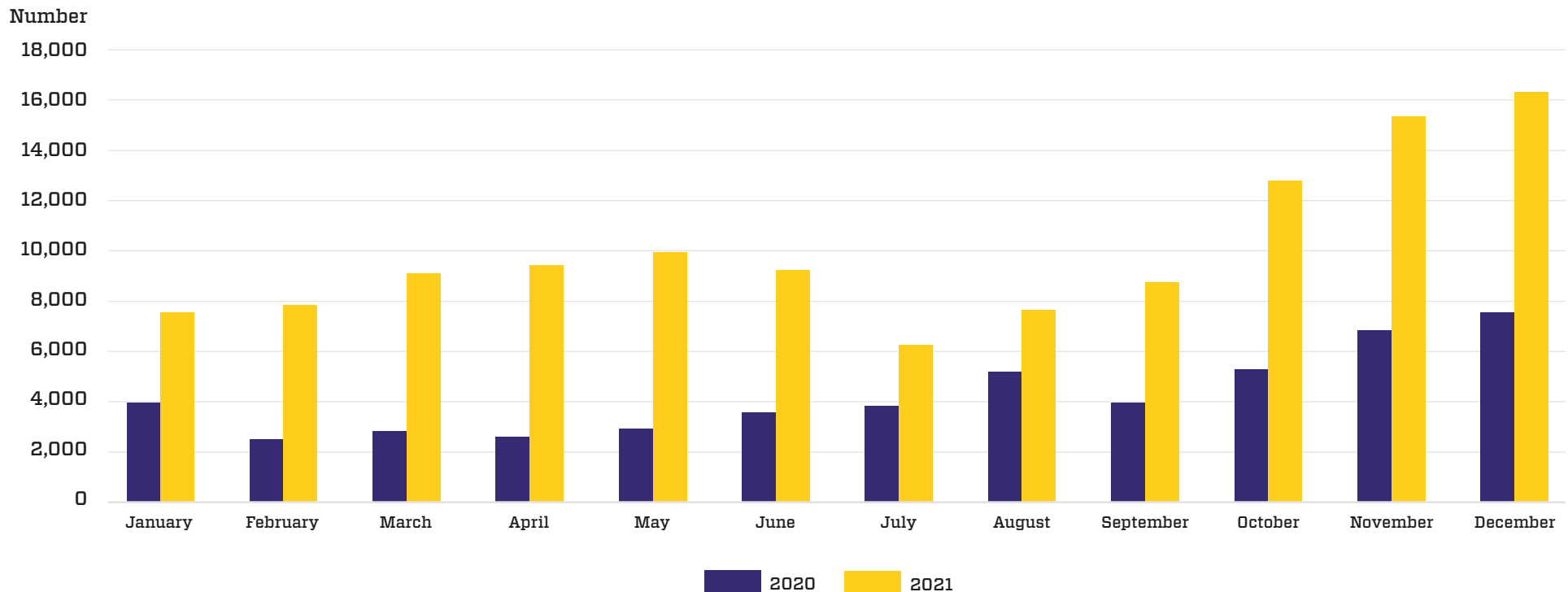
applications was received at the beginning of the school year in August (4,365), in September (2,791), and in July (2,590). In 2021, the average processing time for initial applications was 17.3 days.

In terms of payment applications, the busiest months were October, November,

and December, with more than 10,000 payment applications processed during each. The majority (approx. 80%) of payment applications are submitted in the first week of the month, which can put pressure on our resources. To manage this, we have sought to expand the skills and responsibilities of our staff responsible for unemployment

insurance contribution and benefit services, and developed the automated processing of payment applications. In 2021, the average processing time for payment applications was 1.1 days. 54,992 decisions were issued automatically, which accounts to approximately 63% of all payment decisions.

Number of applications for adult education allowance



SCHOLARSHIPS FOR QUALIFIED EMPLOYEES ON THE BASIS OF A VOCATIONAL QUALIFICATION

Scholarships for qualified employees were introduced in 1996. An individual residing in Finland is eligible for the scholarship if they have completed an upper secondary level vocational degree, a further vocational degree, or a specialist vocational degree, are under 68 years of age, and have been working for at least five years by the date they complete the new degree. The scholarship for qualified employees is a tax-exempt, lump-sum payment, which was EUR 400 in 2021.

THE POPULARITY OF SCHOLARSHIPS FOR QUALIFIED EMPLOYEES REMAINED AT A SIMILAR LEVEL TO PREVIOUS YEARS

In 2021, 25,949 beneficiaries received a scholarship for qualified employees. 26,257 approvals for scholarships for qualified employees were given, and a total of EUR 10.4 million was paid in scholarships, which is about two per cent less than in the previous year (EUR 10.6 million).

Scholarships are applied for after graduation and therefore often at the end of the semester. In 2021, the highest number of applications was received in June (4,723), December

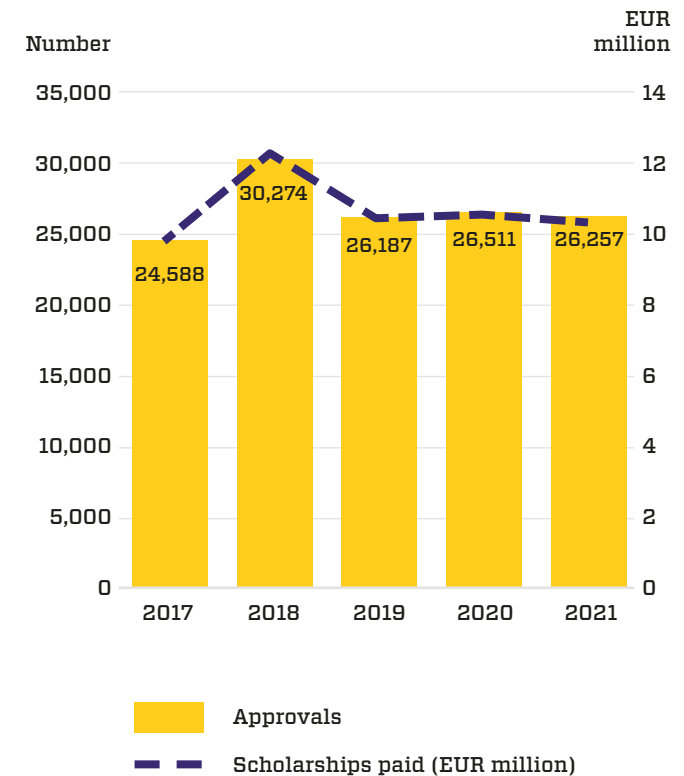
(3,742), and May (3,279). The total number of applications received during these three months accounted for 38.3% of the total number of applications received during the year. The average processing time for scholarship applications was 6.5 days.

44.6% (42.7%) of the scholarships were granted for completing a further vocational qualification, 29.9% (31.2%) for completing an upper secondary vocational qualification, and 25.6% (26.1%) for completing a specialist vocational qualification. In 2021, the most common qualifications completed by scholarship recipients were a further vocational qualification in supervisory work (8.7%), an upper secondary vocational qualification in social welfare and health care (7.9%), and a specialist qualification in business management and leadership (7.8%). A clear majority of scholarship recipients were women, accounting for 63.6% of all recipients.

APPEALS AND RECOVERY OF BENEFITS PAID WITHOUT JUSTIFICATION

Applicants who are not satisfied with the outcome of their application for scholarships for qualified employees or adult education allowances are entitled to appeal the decision.

Approvals and scholarships paid to qualified employees



The first appellate body is the Social Security Appeal Board (SAMU). The second and final appellate body is the Insurance Court. In 2021, the Appeal Board received 275 (173) complaints. The Insurance Court received 20 (44) complaints. The complaints mainly concerned the recovery of benefits or the revision of benefits, taking into account additional income based on their date of payment.

The introduction of the Incomes Register has facilitated the processing of applications and reduced the need to request additional information from customers.

If a benefit has been paid without justification or the amount paid out was too high, the excess must be recovered from the beneficiary. A total of 1,973 (1,932) recovery decisions were made.

DEVELOPMENT OF ADULT EDUCATION BENEFITS' PROCESSING OPERATIONS

In our benefit service, as in other units of the Employment Fund, the year began with organisational changes. The aim of the reorganisation in the spring of 2021 was to reform our management system, clarify our role and responsibilities, and bring development closer to the business. As part of the organisational change, the Employment Fund established a process and service development team to improve the experience of customers and users of our benefit service.

In 2021, we continued to develop the basic systems of our benefit service and,

among other things, expanded the use of the Incomes Register. At the beginning of 2021, we started to report the benefits we have paid to the Incomes Register, and on February 1, 2021, we completed the last part of the integration when we started using the pension and benefit information reported to the Incomes Register in the processing of applications. The introduction of the Incomes Register has facilitated the processing of applications and reduced the need to request additional information from customers.

In 2021, in addition to the continuous development of the basic systems of our benefit service, we developed our online service. In 2021, 99% of benefit applications were submitted through our online service. We made changes to the functionalities of the benefit applications based on customer feedback. At the end of April 2021, we introduced a messaging

functionality to reduce email transactions. With the introduction of the new messaging functionality, our benefit customers' email transactions decreased by 49% compared to 2020. Between April and December 2021, we responded to 39,280 customer messages through the messaging functionality. In 2021, 70.4% of our customers were completely or very satisfied with our online service.

The number of telephone inquiries concerning benefits remained at the same level as in previous years. In 2021, we answered 38,700 calls. In the autumn of 2021, we introduced a callback function in our telephone service, which allows the customer to request a callback to avoid waiting on hold if the line is busy. About one-

fifth of our customers choose the callback option.

In 2021, we measured customer satisfaction with a monthly survey conducted by Taloustutkimus Oy. We are constantly striving to improve our services for our adult education benefit customers based on customer feedback received through the survey.

In the autumn of 2021, we also launched a pilot project to introduce a new service website for our adult education allowance customers, aikuiskoulutustuki.fi, in the spring of 2022. Among other things, we aim to improve the transparency of the adult education benefit scheme, customer experience, and the user-friendliness of the application process.

In addition to the service website pilot project, in 2021 we organised several webinars aimed at our adult education benefit customers and educational institutions, in which we discussed adult education benefits and their application process. The number of participants has varied between 30–100, and based on the feedback, the events have been found to be useful by the participants. In addition, we posted instructional videos on our website to facilitate the application process. In the spring of 2021, we established a social media presence on Facebook, where we actively communicate with our customers throughout the year.

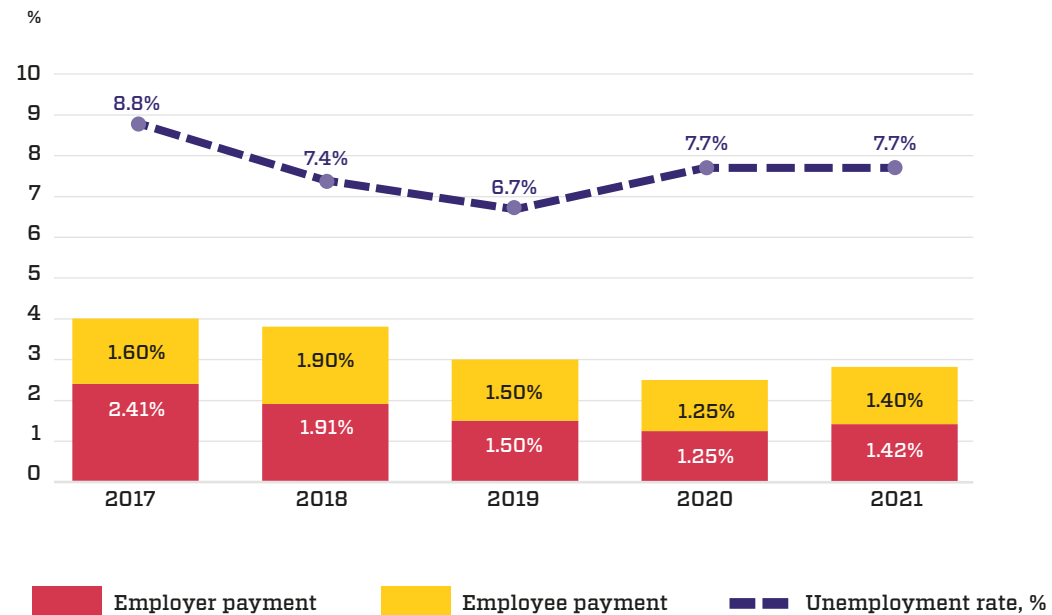


Finance

THE NET POSITION OF THE BUSINESS CYCLE BUFFER DECREASED

In accordance with section 3 of the Act on the Financing of Unemployment Benefits, the Employment Fund maintains a business cycle buffer in order to ensure liquidity and balance out changes in unemployment insurance contributions due to foreseeable economic fluctuations in the national economy. The business cycle buffer accrues on the basis of the difference between the Fund's income and expenses. The maximum amount of the buffer corresponds to the annual expenditure for an unemployment rate of six percentage points. During times of severe economic downturn, the business cycle buffer may be on the liabilities side, up to the amount corresponding to the same expenditure.

Unemployment insurance contribution rates and unemployment rate %

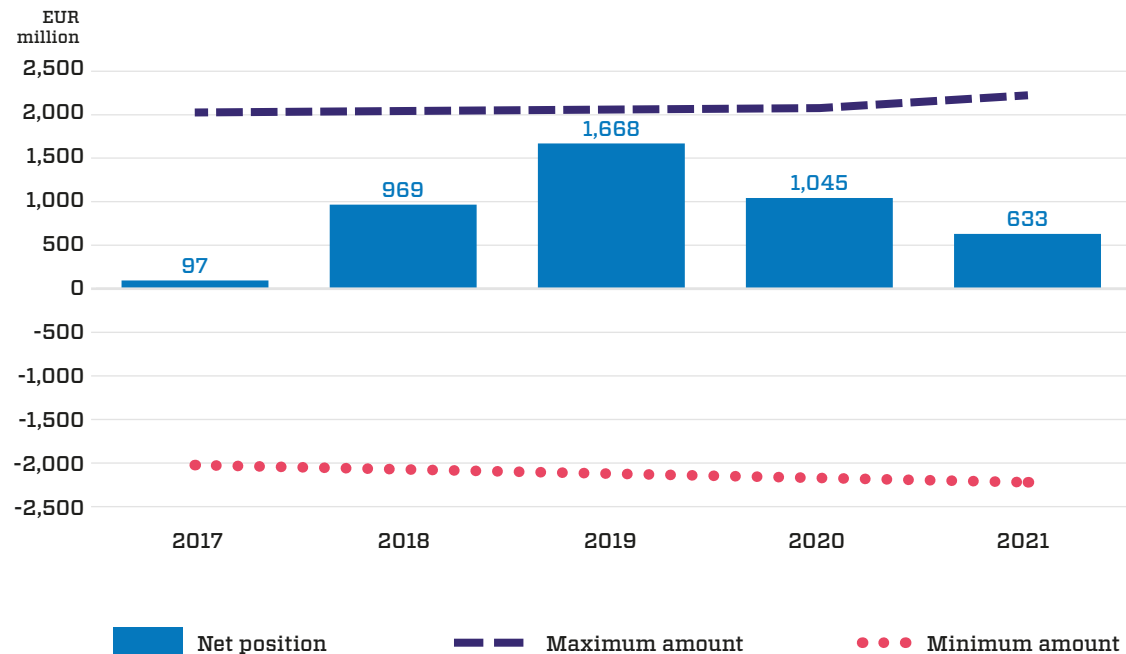


The maximum value of the buffer is calculated by dividing the annual expenditure for which the Employment Fund is liable, which was EUR 2,840 million in 2021, by the average unemployment rate for the year (7.7), and multiplying the result by 6. In 2021, the maximum permitted value of the buffer according to the Act was EUR 2,220 million. The Employment Fund's net position was EUR 633 (1,045) million at the end of 2021.

According to the investment principles accepted by the Supervisory Board, the Fund is required to have liquid investments in money market instruments with less than a year's maturity in an amount that covers one month of the Fund's expenses. This amount is approximately EUR 300 million. On average, the liquidity buffer described above was 2.5 times the minimum amount in 2021.

According to the 2022 budget submitted to the Ministry of Social Affairs and Health, the Fund's net position will amount to EUR 467 million on 31 December 2022. When the financial statements were prepared, the Fund's net position at the end of 2022 was estimated to be around a positive sum of EUR 700 million.

Development of the business cycle buffer



The Fund's net position at the end of 2022 was estimated to be around a positive sum of EUR 700 million.



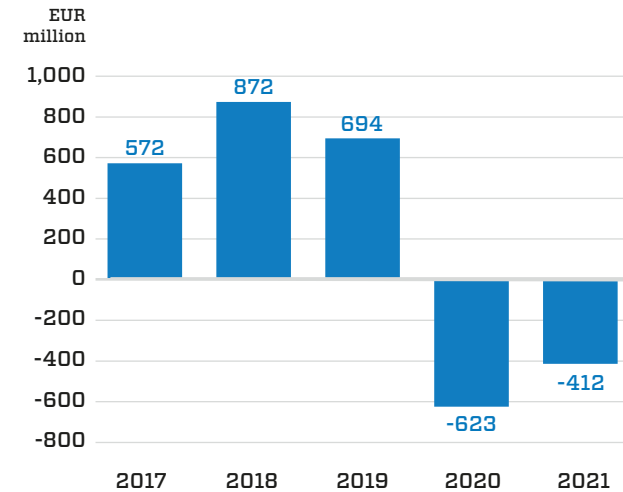
DEBT FINANCING

The Employment Fund has two bonds worth EUR 600 million, issued in 2020 with maturities of three years (due 16 June 2023) and seven years (due 16 June 2027). The Fund also has revolving credit facilities (RCF) worth EUR 800 million, agreed with five banks in 2020 with maturities of two years (due 9 April 2022). The revolving credit facility is guaranteed by the Finnish state. The revolving credit facility was not utilised during 2021.

In 2021, the Employment Fund implemented a debt servicing plan by issuing commercial papers with a value of EUR 100 million to refinance commercial papers that were about to mature (worth EUR 82.5 million).

Standard & Poor's (S&P) has given the Employment Fund a credit rating of AA+ with a stable outlook. The Finnish government has also been granted the same credit rating.

Change in net position



Investment activities

The Employment Fund carries out investment activities to the extent necessary to manage the timing differences in the cash flows generated by its income and expenses, and for liquidity management purposes.

We manage our investment activities in compliance with the investment principles approved by the Supervisory Board, and the investment plan set by the Board of Directors. The value of investment and financial assets possessed by the Employment Fund amounted to EUR 1,339 (1,831) million at the end of 2021.

FINANCIAL OPERATING ENVIRONMENT

After the deep downturn of the COVID-19 pandemic, the global economy has swung towards strong growth. It has been assessed that the growth peaked in 2021, but it is projected to remain reasonably strong in 2022, as well. From 2023 onwards, economic growth is set to stabilise close to long-term levels. Inflation, i.e. the increase in consumer prices, increased in 2021 with rising raw material prices as a particular driver. This also began to show in the monetary policy of the central banks. Several central banks announced their intentions to gradually move away from their heavily expansionary policy. The first signs of tightening monetary policy

were already seen in 2021, as the Federal Reserve announced it would taper bond purchases and consider raising interest rates in 2022. The outlook for economic growth is still subject to risks, especially in relation to the COVID-19 pandemic and a prolonged increase in inflation.

THE INVESTMENT MARKET

Considering the starting point, the development of the investment market in 2021 was quite favourable. The development of stock prices in the market was strong. Especially in developed markets, the annual yield was significantly better than average. However, development was poor in the Chinese market, where weakened growth prospects, increased regulation, and issues in the real estate sector gave particular reasons for concern and added to investor insecurity. The strongest growth phase of the stock market was seen in the first half of the year, and stock prices fluctuated slightly more towards the end of 2021.



The environment in the interest rate market was characterised by slightly rising interest rates last year. Annual returns from government bonds with a low nominal yield was negative in the euro zone, and returns from corporate bonds also turned out lower than average.

ALLOCATION OF INVESTMENTS

We invested actively in money market instruments, bonds, funds, and equities, as well as alternative investments. Equity investments were reinstated as an investment item in the investment plan for 2021. At the end of the financial period, EUR 721 (1,127) million of the Fund's assets were invested in money market instruments, EUR 534 (682) million in bonds, EUR 38 (0) million in equities, and EUR 43 (21) million in alternative investments.

In 2021, we achieved a return of 0.7 (-0.7) per cent on invested assets. The return exceeded both the expectation entered in the investment plan and the reference return on our investment activities.

The investment plan for 2022 was approved by the Employment Fund's Board of Directors on 21 December 2021. As part of the plan, it

was decided to increase the proportion of alternative investments and to make a few other changes to the allocation of funds.

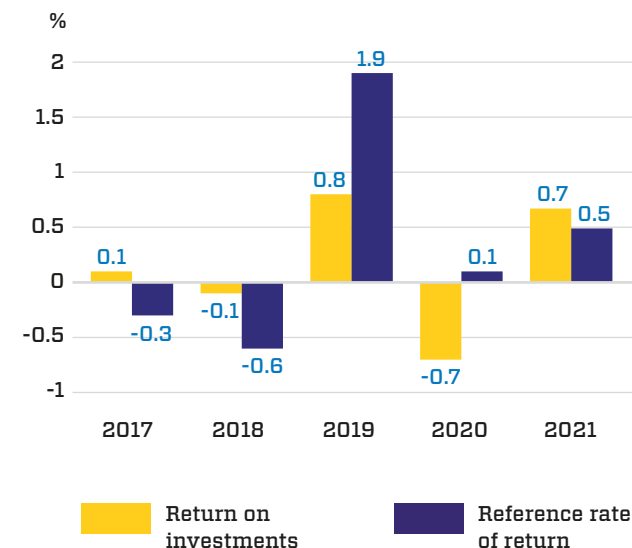
RESPONSIBLE INVESTMENT

Responsibility in investment activities means that we take responsibility and sustainability factors into account in our investment decisions.

When we make investment decisions, we take environmental, social and governance (ESG) factors into consideration in addition to financial indicators. With the exception of index investments, we integrate ESG factors into all our investments insofar as is possible. We do our part to ensure that ESG factors are taken into consideration by commissioning an external party to review our investments two times per year and report any deviations.

We exclude companies whose operating methods are considered irresponsible with regard to factors such as corruption, child labour, employees' rights and human rights from our list of potential investments. Furthermore, we invest in companies that comply with the UN Global Compact wherever possible.

Return on investments

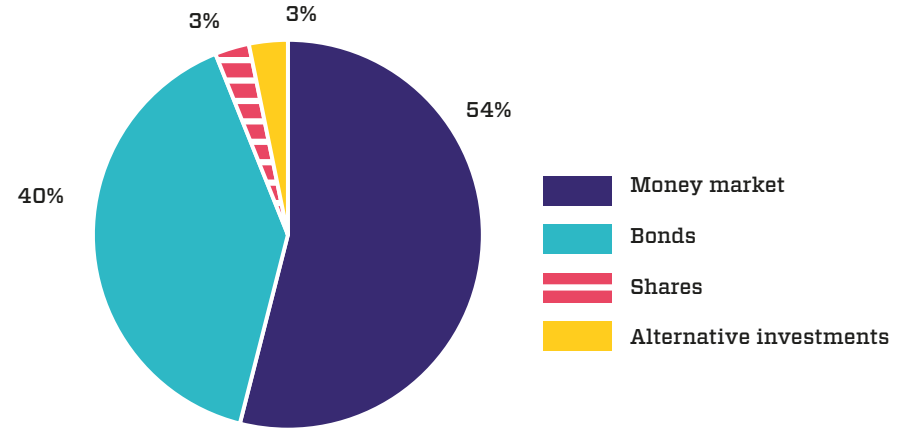




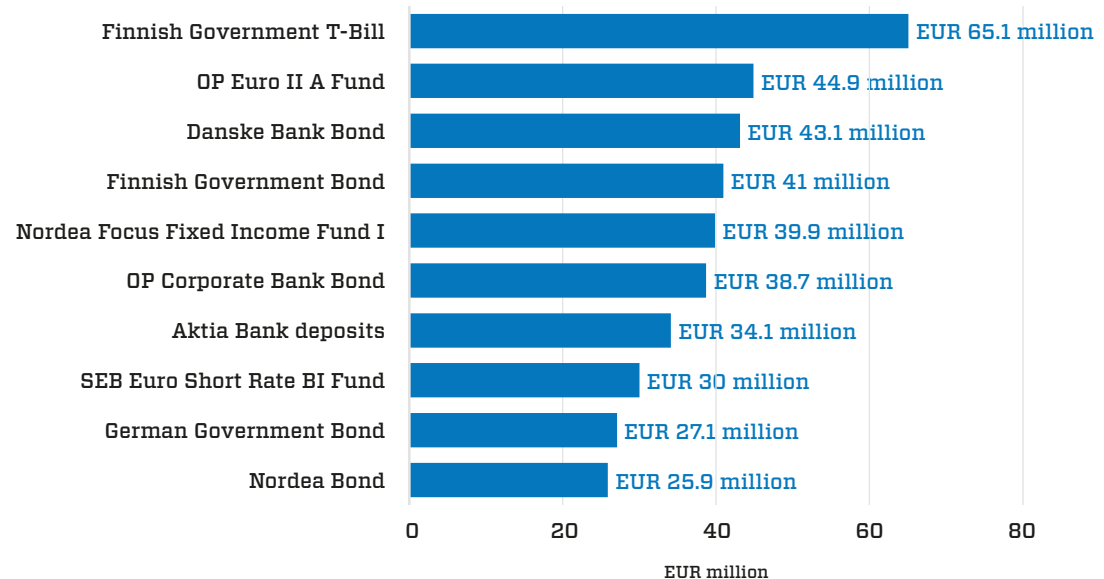
Numerical methods of assessment are used to monitor and analyse the responsibility of the Employment Fund’s investments. The goal is to provide a picture of the Fund’s responsibility profile and map its development as comprehensively and diversely as possible. Similar metrics have been used for monitoring since 2019. The responsibility analysis includes a review of operational responsibility metrics for the investment items and the companies behind them, such as commitment to equality, good governance, and the development of variables used to measure environmental impact.

According to the latest analysis by the asset management company commissioned to assess the responsibility of our investments in 2021, our responsibility profile is good. The results from the measurement methods used did not fall significantly short of the benchmark indices for the investment market. In particular, the results related to environmental impact have mostly outperformed the benchmark indices for the portfolio throughout the time we have been measuring them, and continue to do so.

Investment spread



Largest investments





Risk Management

The Employment Fund's internal control is based on a 'three lines of defence' model.

Risk management is an integral part of the Employment Fund's internal control, which consists of all the practices and procedures that aim to give the Fund's Board of Directors and Management a reasonable assurance of the effectiveness of operations, the achievement of set objectives, the reliability and adequacy of financial and operational information, as well as compliance with laws and regulations.

Risk management measures enable threats and opportunities related to the Employment Fund's operations to be identified, analysed, and managed.

The Employment Fund has a full-time risk manager tasked with supporting and instructing the organisation on risk identification and management. Since the start of 2021, the Fund has also had a full-time Compliance Officer to support internal control. The Compliance Officer cooperates with risk management to support the Board of Directors, Management, and operations of the Fund in complying with regulations and internal guidelines. This is done by assessing internal processes and procedures and submitting observations and suggestions for improvement to the Management, for example. The risk manager and Compliance Officer report directly to the Board of Directors, audit committee, and Managing Director.

Systemic and regular risk management ensures that the risks taken by the Employment Fund are proportionate to the Fund's objectives and the risk appetite specified in the Fund's risk management principles.

The significance of risk management has been further highlighted, and a systemic approach to it is an essential prerequisite for the continuity of the Fund's operations. The COVID-19 pandemic has had a broader scope of impact than expected, and from the Employment Fund's perspective, the management of financial risks has been particularly affected. Other focus areas for risk management in 2021 included cyber risks, strategic and reputational risks, as well as operational risks, and regulatory risks.



Personnel

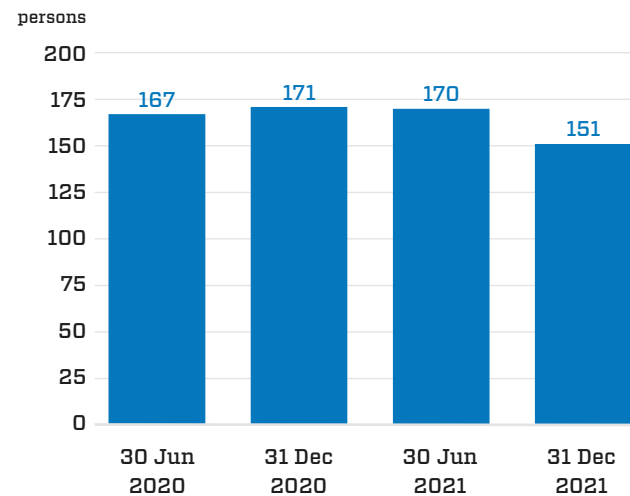
At the end of 2021, the number of personnel was 151 (171). As person-years of work, the average number of personnel was 132 (140).

In 2021, the average number of employees was 164, and the Fund paid EUR 7,929,867 in salaries and EUR 134,267 in fringe benefits. The Fund has implemented a compensation system based on the complexity of work, and a bonus system that supports the achievement of the Fund's strategic objectives.

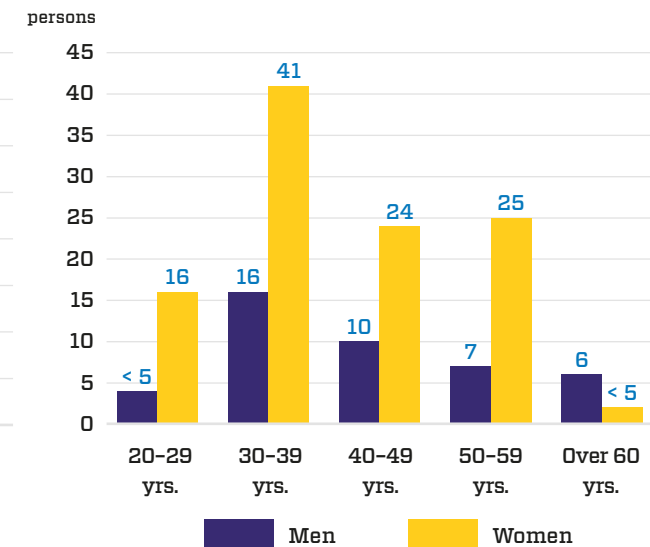
Men accounted for 46 (50) and women for 105 (121) of the personnel. The average employee age was 41 (40), and the average duration of employment at the Employment Fund was 6.0 years.

The Employment Fund's Managing Director is Janne Metsämäki, LL.M.

Number of employees in the Employment Fund 2020-2021



Age and gender distribution of personnel in 2021



Promoting and constantly monitoring employee wellbeing are key commitments for the Fund. The wellbeing of the personnel was assessed by conducting an extensive survey in the spring of 2021. According to the survey, our personnel appreciates the possibility to work remotely and hopes for increased self-management. The average rate of absence due to illness was 10.02 (10.35) days per person.

In 2021, the focus of staff training was on developing managerial competence and on developing our employees' digital skills. Particular areas of emphasis for the management included coaching and early

intervention skills. Our aim is to create an excellent management culture in the Fund through leadership coaching. The Employment Fund continued the Studia Generalia lecture series from 2020, where visiting experts gave lectures to our staff. The aim of the lectures is to improve wellbeing and self-management skills among our staff.

The average number of training days per person was 2.33 (2.26). Training was provided remotely in the form of virtual learning.

Due to the COVID-19 pandemic, 2021 was another year spent working almost entirely

remotely. Over the year, we prepared our move to new premises in Ruoholahti, Helsinki. Our staff was actively involved in the process, and we were able to move to the new premises at the turn of the year. The new activity-based office will facilitate even more collaborative ways of working when we are all able to work on site again.

During the year, we also reformed our organisation to ensure that we are even better positioned to achieve our objectives and provide services in an efficient and customer-oriented manner.





A glimpse into the coming year

The employment rate and the number of unemployed jobseekers have demonstrated positive trends in early 2022. However, restrictions put in place due to the COVID-19 pandemic have affected employment in some sectors. Developments in the coming months will show whether restrictions can be lifted and society reopened on a larger scale.

Compared to the previous year, some changes are visible in the financial operating environment. Basic economic factors remain reasonably positive, but in the financial market, the year is off to an uncertain start. The stock market in particular has seen greater fluctuations. At the time of drafting the financial statements, the economic outlook for the Employment Fund remains the same as predicted in December 2021. Our assessment at the time was that the costs of funding unemployment benefits would decrease due to the economy gradually growing stronger and employment improving. We expect this trend to continue in 2022. Modest improvements in employment, combined with a higher amount of unemployment insurance contributions, should lead to the changes in our net position being close to zero in 2022. By our estimate, the value of the net assets in our business cycle buffer will be approximately EUR 700 million at the end of the year.

In 2022, we will continue to develop our essential services and related information systems to ensure that we are able to perform our statutory tasks even more efficiently, and serve our customers even better. We are also involved in preparing legislation to phase out the additional days of unemployment insurance and replace them with a new security package for employees dismissed after the age of 55. The new package will be financed by us.

In January 2022, we moved to our new premises in Ruoholahti, Helsinki. Once the COVID-19 situation allows us to operate fully at our new premises, we will have the opportunity to develop our working methods and practices in a new activity-based office environment.

Corporate governance

The corporate governance statement for the Employment Fund in 2021 has been prepared pursuant to the Securities Market Act and the recommendation on reporting of the Finnish Corporate Governance Code for Listed Companies, which took effect on 1 January 2020.

COMPLIANCE WITH THE FINNISH CORPORATE GOVERNANCE CODE 2020 AND DEVIATIONS FROM THE RECOMMENDATIONS

The Employment Fund is an independent institution established by law that has issued shares or interests for public trading. The Employment Fund has issued bonds quoted on Nasdaq OMX Helsinki Ltd, which will mature in 2023 and 2027. In addition, the Employment Fund has a commercial paper that is due in 2022.

The Employment Fund conducts its operations, where applicable, in compliance with the Finnish Corporate Governance Code, which is publicly available on the Securities Market Association's website (www.cgfinland.fi).

The operations and responsibilities of the bodies of the Employment Fund are based on

the Act on the Financing of Unemployment Benefits (555/1998), the Decree on the Financing of Unemployment Benefits (1176/1998) and the Decree on the Rules of Procedure of the Employment Fund (862/1998). The Decree on the Rules of Procedure of the Employment Fund (862/1998) has applied to the Employment Fund since 1 January 2019.

Due to the Employment Fund's form of activity and background, its operations differ from the Finnish Corporate Governance Code on the following recommendations:

- **Recommendations 1, 2, 3 and 4:** The Employment Fund's most senior decision-making body is not a general meeting or similar organ, but the Supervisory Board appointed by the Government, in accordance with the Decree on the Regulations of the Unemployment Insurance Fund (862/1998). The Decree includes provisions on matters to be decided in the meetings of the Supervisory Board and the related procedures, as well as the notice to the meeting. For this reason, the

recommendations concerning the general meeting, the notice to the meeting, the general meeting documents and the election process for the Board of Directors are not applicable as such to the Employment Fund's operations.

- **Recommendations 5, 6, 7, 8 and 9:**

The Employment Fund's Supervisory Board elects the members of the Board of Directors in accordance with the principles set out in the Decree on the Rules of Procedure of the Employment Fund (862/1998). The Decree does not restrict the terms of office of members of the Board of Directors. However, in practice, the Supervisory Board confirms the members, chair and vice chair of the Board of Directors annually. For this reason, the recommendations concerning the election, term of office, composition, diversity and independence of the members of the Board of Directors are not applicable to the Employment Fund's operations.

- **Recommendations 10 and 19:**

The Employment Fund's Supervisory Board elects the members of the Board of Directors in accordance with the principles set out

in the Decree on the Rules of Procedure of the Employment Fund (862/1998). The Employment Fund has no shareholders or similar owners, so there is no evaluation of whether significant shareholders are independent of the management and the recommendation concerning a shareholders' nomination committee is not applicable.

- **Recommendations 17 and 18:**

The regulations governing the Employment Fund's operations do not impose an obligation to establish special committees. Therefore, the Fund does not have any committees, other than an audit committee.

- **Recommendation 21:**

In accordance with the Decree on the Rules of Procedure of the Employment Fund (862/1998), the Supervisory Board elects the members of the Board of Directors, and the Board of Directors elects the Chair from among its members (alternately from among the representatives of the employers and employees), so the recommendation concerning the restriction of the managing director's membership in the Board is not applicable.

- **Recommendation 22:**

The Supervisory Board decides on the remuneration of the Board of Directors.

The Ministry of Social Affairs and Health decides on the remuneration for meetings for the Supervisory Board and the principles of compensation for travelling expenses. The Board of Directors decides on the remuneration and the terms and conditions of the service contract of the managing director, as well as the principles of remuneration for other management staff.

- **Recommendation 23:**

The Employment Fund has no shareholders or similar owners, wherefore the recommendations relating to shares and share-based remuneration for the members of the Board of Directors will not be applied.

- **Recommendation 28:**

The Employment Fund is not a corporation, so the regulations on related-party transactions are not applicable to the Employment Fund's operations within the meaning of the Corporate Governance Code. However, the Employment Fund complies with IFRS standards and monitors related-party transactions as described below.

SUPERVISORY BOARD

According to the Decree on the Rules of Procedure of the Employment Fund (862/1998), the Employment Fund's

most senior decision-making body is the Supervisory Board, which has 18 members.

The Finnish Government appoints the members of the Employment Fund's Supervisory Board, six of whom are representatives nominated by the Confederation of Finnish Industries, three by the Commission for Local Authority Employers, three by the Central Organisation of Finnish Trade Unions (SAK), three by the Finnish Confederation of Professionals (STTK) and three by the Confederation of Unions for Professional and Managerial Staff in Finland (Akava). The term of the members of the Employment Fund's Supervisory Board is three calendar years.

The Supervisory Board elects a chair and vice chair from among its members for one calendar year at a time, one of whom is an employer representative and the other one an employee representative. The chairmanship is held in turn by representatives of employers and employees, alternating annually. In 2021, the Chair of the Supervisory Board was Jari Jokinen.

On 22 October 2020, based on the proposal of the labour market parties, the Government appointed the members of the Employment Fund's Supervisory Board for the term 2021–2023.

The members of the Supervisory Board in 2021 were:

Name	Year of birth	Education	Main occupation
Jari Jokinen, Chair	1967	Master of Science (Technology)	Executive Director, Tekniikan Akateemisten Liitto TEK ry
Antti Zitting, Vice Chair	1956	Master of Science (Technology)	Chairman of the Board, Sacotec oy
Riku Aalto	1965	Master of Administrative Sciences	President, Industrial Union
Teija Asara-Laaksonen	1957	secondary school graduate	Vice President, Trade Union for the Public and Welfare Sectors (JHL)
Jorma Haapanen	1964	Master of Agriculture and Forestry Sciences	Preparation Director, Western Uusimaa Wellbeing Services County
Tomi Lantto	1970	Master of Economic Sciences	CEO, Antell Oy
Antti Korpiniemi	1961	Master of Agriculture and Forestry Sciences	CEO, Berner Ltd
Kirsi-Marja Lievonen	1962	Licentiate of Laws trained on the bench	HR Director, City of Vantaa
Petri Lindroos	1965	Master of Education	Director of Negotiations, Trade Union of Education in Finland (OAJ)
Salla Luomanmäki	1963	Master of Arts	Executive Director, Akava Special Branches
Jorma Malinen	1959	Automation Designer	President, Trade Union Pro
Matti Mettälä	1963	Master of Laws trained on the bench	EVP, Kesko Corporation
Taina Niiranen	1966	Master of Administrative Sciences	Director of Health and Wellbeing Services, Parkano municipality
Olli Nikula	1967	Master of Economic Sciences	CEO, Saint-Gobain Finland Ltd
Silja Paavola	1956	Auxiliary Nurse	Chair, SuPer ry
Millariikka Rytönen	1975	Midwife-nurse, Master's degree	Chair, Tehy ry
Annika Rönni-Sällinen	1976	Master of Laws	Chair, Service Union United PAM
Teemu Kokko	1961	Doctor of Science (Business Administration)	Managing Director, Haaga-Helia University of Applied Sciences

**Meeting practice and access to information**

The ordinary meeting of the Supervisory Board is held twice a year, in the spring before the end of May and in the autumn no later than in October. An additional meeting of the Supervisory Board is held whenever the chair of the Supervisory Board or the Board of Directors deems it necessary, or when at least two members of the Supervisory Board request in writing that an additional meeting be held for a reason specified in the request.

The notice to the meeting must be delivered in a verifiable manner to the members of the Supervisory Board no later than eight days before the meeting.

The meeting of the Supervisory Board can be constituted a quorum when the chair or the vice chair and at least one half of the members are present at the meeting. Those attending the meeting must include both employer and employee representatives. The decisions of the Supervisory Board are based on a simple majority. In the event of a tie, the decision is then based on the opinion supported by the chair of the meeting. In the event of an election in which the voting ends in a tie, the result is then decided by drawing lots. In the event that the question concerns a proposal for unemployment insurance contributions and the voting ends in a tie, the opinion supported by both the chair and the vice chair then becomes the decision.

The Supervisory Board elects the chair and vice chair of the Supervisory Board for one calendar year at a time. One must be an employer representative and the other an employee representative. The chairmanship is held in turn by representatives of employers and employees, alternating annually.

In 2021, the board convened four times.

“The Board of Directors is responsible for the Employment Fund’s administration and the proper organisation of its operations.”

BOARD OF DIRECTORS

According to the Decree on the Rules of Procedure of the Employment Fund (862/1998), the Employment Fund must have a Board of Directors composed of 14 members. The members are nominated by the Supervisory Board such that seven of the Board members are representatives of employer organisations and seven are employee representatives. The Board of Directors has to have a chair and vice chair, one of whom must be an employer representative and the other one an employee representative. The chairmanship is held in turn by representatives of employers and employees, alternating annually.

The Board of Directors constitutes a quorum when the chair or the vice chair and at least seven members are present at the meeting. Those attending the meeting must include both employer and employee representatives. The decisions of the Board are based on a simple majority. In the event of a tie, the decision is then based on the opinion supported by the chair of the meeting.

The Board of Directors is responsible for the Employment Fund’s administration and the proper organisation of its operations. The Board of Directors follows the development of the Employment Fund with the help of monthly

reports and other information delivered by the management. The main duties and operating principles of the Employment Fund’s Board of Directors should be specified in the written rules of procedure. The Board of Directors must carry out a self-assessment of its performance once a year.



The members of the Board of Directors in 2021 were:

Name	Year of birth	Education	Main occupation
Vesa Rantahalvari, Chair	1967	Master of Administrative Sciences	Senior Expert, Confederation of Finnish Industries (EK)
Saana Siekkinen, Vice Chair	1972	Master of Social Sciences	President, Central Organisation of Finnish Trade Unions (SAK)
Tuomas Aarto	1973	Master of Laws trained on the bench	Director General, Service Sector Employers Palta
Sture Fjäder	1958	Master of Economic Sciences	President, Confederation of Unions for Professional and Managerial Staff in Finland (Akava)
Riikka Heikinheimo	1963	Doctor of Philosophy	Director, Confederation of Finnish Industries (EK)
Minna Helle	1971	Master of Laws	Deputy CEO, Technology Industries of Finland
Minna Etu-Seppälä	1972	Master of Laws trained on the bench	Director, Chemical Industry Federation of Finland
Markku Jalonen	1960	Licentiate of Social Sciences	Managing Director, Local Government and County Employers KT
Ilkka Kaukoranta	1986	Master of Political Sciences	Chief Economist, SAK
Heikki Taulu	1973	Master of Social Sciences	Economist, Confederation of Unions for Professional and Managerial Staff in Finland (Akava)
Lainà Patrizio	1985	Doctor of Political Science, Master of Economic Sciences	Chief Economist, STTK
Antti Palola	1959	Sea Captain	Chair of the Board, Finnish Confederation of Professionals STTK
Jorma Palola, until July 31, 2021	1954	Licentiate of Laws	Chief Negotiator, Local Government and County Employers KT
Pirjo Väänänen	1971	Master of Social Science	Head of Social Affairs, SAK
Henrika Nybondas-Kangas, as of August 1, 2021	1974	Master of Laws trained on the bench	Chief Negotiator, Local Government and County Employers KT

” In 2021, the Board of Directors convened 14 times.

Meeting practice and access to information

The Chair convenes the meeting of the Board of Directors. The notice concerning the meeting of the Board of Directors must be delivered to all members of the Board of Directors in good time before the meeting in order to ensure the possibility of the members of the Board of Directors to attend the meetings. The Board of Directors meets 8–12 times per year and, if necessary, more often. If all the members approve, the meeting of the Board of Directors may be held as a phone conference or by email in case of urgent and specific matters.

Chair's duties

The Supervisory Board elects the Chair of the Board of Directors and the Vice Chair of the Board of Directors for one calendar year at a time. In 2021, the Chair was Vesa Rantahalvari.

Chair of the Board

- convenes meetings of the Board of Directors
- approves the agenda prepared by the Managing Director for the meetings of the Board of Directors
- is responsible for drafting the minutes of every meeting of the Board of Directors
- maintains contact with the Managing Director and the members of the Board of Directors between meetings, if necessary, and
- is responsible for ensuring that this working order is complied with in the work of the Board of Directors
- approves the invoices of the Managing Director.

Operations of the Board of Directors

In 2021, the Board of Directors convened 14 times. On the basis of the rules applying to the Employment Fund, the Board of Directors does not have any permanent committees. However,

it can decide to establish working groups or committees for the purpose of assisting the Board of Directors with the preparation of certain matters falling within the competence of the Board of Directors. The Board of Directors has had an audit committee since 2019.

MANAGING DIRECTOR

The Employment Fund has a Managing Director who is responsible for the Fund's management in accordance with guidelines and orders issued by the Board of Directors. The Managing Director is responsible for ensuring that the Employment Fund's accounts comply with the law and that its financial affairs have been arranged in a reliable manner. The Managing Director must also provide the Board of Directors and its members with the information necessary for the Board of Directors to perform its duties.

The Employment Fund's Managing Director is Janne Metsämäki, LL.M. (b. 1960).

MANAGEMENT GROUP

The Management Group supports the Managing Director in leading the Employment Fund's operations and achieving the Employment Fund's strategic and operational goals. The Management Group convenes weekly.

In 2021, the members of the Management Group were:

Name	Year of birth	Education	Duties/responsibilities
Virpi Halme	1976	Master of Laws	Director, Development and Technology
Katja Knaapila	1966	Master of Business Administration	Director, HR and Communication
Juho Oksanen, until May 31, 2021	1978	Master of Science (Economics and Business Administration), Master of Social Sciences	Director, Development and Renewal
Tapio Oksanen	1958	Master of Economic Sciences	Chief Financial Officer
Merli Vanala, until May 31, 2021	1964	Master of Arts	Director, Customer Relations
Tuulikki Saari, as of August 9, 2021	1979	Master of Arts	Director, Customer Relations

Due to organisational reforms, the composition and responsibilities of the Management Group changed slightly as of June 1, 2021.

LEGALITY AND COMPLIANCE OF OPERATIONS

The Employment Fund's activities comply with the law, the guidelines and regulations applying to the Fund, and the requirements of good governance.

RESPONSIBILITIES OF INTERNAL CONTROL AND RISK MANAGEMENT

The Employment Fund's Board of Directors decides on the bases of internal control and risk management, and it requires that the Employment Fund's operations are organised so as to enable adequate internal control and risk management across every level of the organisation and in all its activities.





The principles of the Employment Fund's internal control and risk management apply to all of the Employment Fund's functions, and each employee is responsible for implementing them.

The Employment Fund's internal control is based on a 'three lines of defence' model.

Principles of organising insider administration

During 2020, the Employment Fund issued two bonds (each worth EUR 600 million). With respect to the issuance of the bonds, the Employment Fund has complied with the requirements laid down in insider legislation, including the provisions applicable to issuers of bonds. The principles and

guidelines on insider administration have been approved by the Employment Fund's Board of Directors.

Principles concerning related parties

The regulations on related-party transactions set out in the Limited Liability Companies Act are not applicable to the Employment Fund's operations. However, the Employment Fund complies with IFRS standards and guidelines regarding related-party transactions (IAS 24). The related parties of the Employment Fund include the members of the Supervisory Board, members of the Board of Directors, the Managing Director, the main auditor, the members of the Management Group, and their spouses, trustees, and controlled undertakings.

Transactions involving related parties are handled in accordance with the guidelines on related-party transactions approved by the Board of Directors. There were no related-party transactions in 2021. The list of related parties is maintained by the Employment Fund's Compliance Officer.

CONTROL ENVIRONMENT

The Managing Director serves as the Employment Fund's most senior executive decision-maker with the assistance of the Management Group. The Management Group is responsible for ensuring that the functions of the Fund have adequate resources in order to perform their duties, which are determined by law or based on decisions made by the Board of Directors.

Remuneration report

The Employment Fund is not a corporation, so the regulations on remuneration principles and reporting are not applicable as such to the Employment Fund's operations. Therefore, the Employment Fund's remuneration report for 2021 has been drawn up, where applicable for the Employment Fund, in compliance with the Corporate Governance Code 2020 (www.cgfinland.fi), published by the Securities Market Association.

FEES AND OTHER BENEFITS PAID TO THE MEMBERS OF THE SUPERVISORY BOARD

On 22 October 2020, based on the proposal of the labour market parties, the Government appointed the members of the Employment Fund's Supervisory Board for the term from 1 January 2021 to 31 December 2023.

The Ministry of Social Affairs and Health decides on the remuneration for meetings for the Supervisory Board and the principles

of compensation for travelling expenses. On 12 September 2019, the Ministry of Social Affairs and Health decided that the fees for the members of the Supervisory Board are as follows: for the Chair, EUR 300 per month and EUR 400 per meeting, for the Vice Chair and other members, EUR 300 per meeting. In 2021, the Supervisory Board convened four times. One of the meetings was held remotely via email. No remuneration is paid for attending email meetings.





In 2021, the fees for the members of the Supervisory Board were paid as follows:

Name	Meeting fee of members of the Supervisory Board	Annual fee of the Chairman of the Supervisory Board	Travel expenses	Total on 31 December 2021	Attendance at meetings of the Supervisory Board *
Jokinen Jari, Chair	1,100	3,600		4,700	3/3
Zitting Antti, Vice Chair	900		44	944	3/3
Aalto Riku	900			900	3/3
Asara-Laaksonen Teija	900			900	3/3
Haapanen Jorma	900			900	3/3
Kokko Teemu	900			900	3/3
Korpiniemi Antti	900			900	3/3
Lantto Tomi	900			900	3/3
Lievonen Kirsi-Marja	600			600	2/3
Lindroos Petri	900			900	3/3
Luomanmäki Salla	900			900	3/3
Malinen Jorma	600			600	2/3
Mettälä Matti	900			900	3/3
Niiranen Taina	900			900	3/3
Nikula Olli	900			900	3/3
Paavola Silja	600			600	2/3
Rytkönen Millariikka	600			600	2/3
Rönni-Sällinen Annika	900			900	3/3
Total	15,200	3,600	44	18,844	

* The table shows the meetings subject to a meeting fee.

FEES AND OTHER BENEFITS PAID TO THE MEMBERS OF THE BOARD OF DIRECTORS

The Supervisory Board decides on the remuneration of the Board of Directors. On 29 August 2019, the Supervisory Board decided that the fees for the members of the Board of Directors are as follows:

	Fee EUR per month	Fee EUR per meeting
Chair of the Board	1,000	400
Vice Chair of the Board	800	300
Other members of the Board of Directors	500	250

No other remuneration or supplementary pension arrangements are in place for the members of the Board of Directors.

In 2021, the Board of Directors convened 14 times. The meetings included one discussion meeting and one strategy meeting, which were not subject to a meeting fee.

In 2021, the fees for the members of the Board of Directors were paid as follows:

Name	Annual fees of the Board of Directors	Meeting fees for the Board of Directors	Total on 31 December 2021	Attendance at meetings of the Board of Directors *
Rantahalvari Vesa, Chair	12,000	4,800	16,800	12/12
Siekinen Saana, Vice Chair	9,600	3,600	13,200	12/12
Aarto Tuomas	6,000	3,000	9,000	12/12
Etu-Seppälä Minna	6,000	3,000	9,000	12/12
Fjäder Sture	6,000	2,000	8,000	8/12
Heikinheimo Riikka	6,000	2,750	8,750	11/12
Helle Minna	6,000	3,000	9,000	12/12
Jalonen Markku	6,000	2,750	8,750	11/12
Kaukoranta Ilkka	6,000	3,000	9,000	12/12
Lainà Patrizio	6,000	3,000	9,000	12/12
Nybondas-Kangas Henrika	2,500	1,250	3,750	5/12
Palola Antti	6,000	3,000	9,000	12/12
Palola Jorma	3,500	1,500	5,000	6/12
Taalu Heikki	6,000	3,000	9,000	12/12
Väänänen Pirjo	6,000	2,500	8,500	10/12
Total	93,600	42,150	135,750	

* The table shows the meetings subject to a meeting fee.

The fees for the audit committee were EUR 400 per meeting for the Chair and EUR 250 per meeting for the members of the committee. In 2021, the audit committee convened five times.

In 2021, the fees for the members of the audit committee were paid as follows:

Name	Meeting fees for the audit committee	Total on 31 December 2021	Attendance at meetings of the audit committee
Kaukoranta Ilkka, Chair	2,000	2,000	5/5
Palola Jorma, Vice Chair	750	750	3/5
Helle Minna	1,250	1,250	5/5
Taalu Heikki	1,250	1,250	5/5
Nybondas-Kangas Henrika	500	500	2/5
Total	5,750	5,750	

REMUNERATION SCHEME FOR THE MANAGING DIRECTOR

As of 2016, a separate remuneration scheme approved by the Board has been applied to the Managing Director. The Board of Directors decides on the payment of any bonuses. The Management Group's bonuses are based on an annual remuneration programme approved by the Board of Directors. Based on a proposal of the Managing Director, and in accordance with confirmed bonus criteria, the Board of Directors decides on the payment of bonuses.

The salaries and other benefits and fees paid to the Managing Director for 2021 are shown in the following table. Social security contributions are excluded.

Position	Salary and fringe benefits	Variable performance-related bonus	1 Jan-31 Dec 2021	1 Jan-31 Dec 2020
Managing Director	165,743	4,683	170,426	167,034

TERMS OF EMPLOYMENT OF THE MANAGING DIRECTOR

The terms of the employment contract of the Managing Director have been determined by a decision of the Board of Directors and verified with a written agreement. The remuneration of the Managing Director consists of a fixed salary and fringe benefits (meal, telephone and car benefits), as well as a variable performance-related bonus. Performance targets and any remuneration to be paid are approved by the Board of Directors. The retirement age and pension accrual of the Managing Director are based on general employment pension legislation. The Fund has not provided a supplementary pension arrangement for the Managing Director. The Managing Director's notice period is based on the Employment Contracts Act for both parties.

REMUNERATION FOR THE MANAGEMENT GROUP

The remuneration of the Employment Fund's Management Group consists of a fixed salary and fringe benefits (meal and telephone benefits), as well as a variable performance-related bonus that cannot exceed 10 per cent of the annual salary including benefits. The Management Group's performance bonus is based on an annual remuneration programme approved by the Board of Directors. Based on a proposal of the Managing Director, and in accordance with confirmed bonus criteria, the Board of Directors decides on the payment of bonuses.

The salaries and other benefits and fees paid to the Management Group during 2021 are shown in the following table. Social security contributions are excluded.

Position	Salary and fringe benefits	Variable performance-related bonus	1 Jan-31 Dec 2021	1 Jan-31 Dec 2020
Management Group	593,127	19,244	612,371	552,358

TERMS OF EMPLOYMENT OF THE MANAGEMENT GROUP

The terms of employment for Management Group members have been defined in a written contract. The retirement age and pension accrual of the Management Group members are based on general employment pension legislation. The Fund has not provided a supplementary pension arrangement for the Management Group members. The Management Group members' notice period is defined in the employment contract for both parties.



A large, stylized graphic of a bird, possibly a crane or heron, is positioned on the left side of the slide. The bird is rendered in a light purple color and is facing right. Its neck is long and curved, and its body is broad. The graphic is partially obscured by the text.

Financial statements



Financial Statements (IFRS) 2021

STATEMENT OF CHANGES IN NET POSITION

EUR thousand	Note	1 Jan-31 Dec 2021	1 Jan-31 Dec 2020
Contributions collected			
Unemployment insurance contributions	5	3,334,855	3,340,330
Total contributions collected		3,334,855	3,340,330
Financing contributions paid			
Financing contributions paid	6	-3,724,310	-3,926,051
Administrative expenses	7	-25,505	-20,672
Total financing contributions paid		-3,749,815	-3,946,723
Net fair value gains on investments	14	4,124	-13,072
Financing costs	8	-666	-3,344
CHANGE IN NET POSITION		-411,502	-622,809

**STATEMENT OF NET POSITION**

EUR thousand	Note	31 Dec 2021	31 Dec 2020
ASSETS			
Non-current assets			
Property, plant and equipment	9	3,735	730
Intangible assets	10	3,614	6,902
Other receivables	13	328	328
Total non-current assets		7,677	7,960
Current assets			
Unemployment insurance contribution receivables	11	3,356	7,097
Accruals of unemployment insurance contributions	11	622,246	535,768
Other receivables	13	46,210	41,751
Investment assets	15	1,046,293	1,194,442
Cash and cash equivalents	16	292,326	636,292
Total current assets		2,010,431	2,415,352
Total assets		2,018,108	2,423,312
NET ASSETS			
For previous periods		1,044,765	1,667,574
For the period		-411,502	-622,809
Total net position		633,263	1,044,765

EUR thousand	Note	31 Dec 2021	31 Dec 2020
LIABILITIES			
Non-current liabilities			
Bonds	17	1,198,945	1,199,122
Total non-current liabilities		1,198,945	1,199,122
Current liabilities			
Loans	17	100,242	87,512
Unemployment insurance contribution liabilities	11	1,846	1,800
Other liabilities	18	83,813	90,113
Total current liabilities		185,900	179,425
Total liabilities		1,384,845	1,378,547
Total net position and liabilities		2,018,108	2,423,312

**CASH FLOW STATEMENT**

EUR thousand	1 Jan-31 Dec 2021	1 Jan-31 Dec 2020
Unemployment insurance contributions collected	3,252,016	3,440,824
Financing contributions paid	-3,763,083	-3,908,302
Interests paid	-2,884	-5,151
Net cash and cash equivalent used in ordinary operations	-513,951	-472,629
Cash flows from investments		
Purchases of property, plant, and equipment	0	-43
Purchases of intangible assets	-683	-2,462
Investments in financial instruments	-1,245,581	-2,970,114
Sales of investment instruments and realised income	1,403,696	2,629,648
Other non-current assets	0	0
Net cash and cash equivalents generated from investments	157,431	-342,972
Loans withdrawn and repaid	12,553	1,287,593
Net cash and cash equivalents generated from financing activities	12,553	1,287,593
Net increase/decrease in cash and cash equivalents	-343,966	471,992
Cash and cash equivalents at the beginning of the financial period	636,292	164,300
Cash and cash equivalents at the end of the financial period	292,326	636,292

Notes to the financial statements

Accounting policies of the financial statements

1 GENERAL INFORMATION

The Employment Fund (“the Fund”) (business ID 1098099-7), established in 2019, is an independent institution managed by labour market parties and supervised by the Ministry of Social Affairs and Health and the Finnish Financial Supervisory Authority, whose main objectives are to finance unemployment benefits and grant adult education allowances. The Fund also directs, develops and supervises the implementation of the collection procedure of unemployment insurance contributions and determines and collects the employer’s liability component of unemployment allowances. In addition, the Fund manages employer’s training compensations. The training compensation is based on the Act on Compensations for Training (1140/2013). The Employment Fund is domiciled in Helsinki. In 2021, the office address was Kansakoulukuja 1, 00100 Helsinki (from 10 February 2022, the Employment Fund’s address is Itämerenkatu 11-13, 00180 Helsinki).

The principal accounting policies applied in the financial statements of the Fund are set out below. These policies have been consistently applied to financial periods presented unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND COMPARABILITY OF FINANCIAL PERIODS

2.1 Basis of preparation

The Employment Fund’s financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, conforming with the IAS standards and IFRS standards as well as SIC and IFRIC interpretations applicable as per 31 December 2021. IFRS refers to the standards and interpretations applicable to corporations and set out in the Finnish Accounting Act and other provisions issued under it in accordance with the procedure laid down in Regulation (EC) No 1606/2002 of the European

Parliament and of the Council. The notes to the financial statements also comply with Finnish accounting and corporate legislation supplementing IFRS standards.

The Employment Fund is a non-profit, government-affiliated fund whose operations are based on the Act on the Financing of Unemployment Benefits, the Decree of the Financing of Unemployment Benefits and on the Decree on Rules of Procedure of the Employment Fund with amendments, as stated in section 1.

The Employment Fund collects and pays unemployment insurance contributions. The Fund does not carry out such business activities where it would generate revenues arising from the sale of goods or rendering of services. Due to the nature of the Fund’s operations, the Fund does not generate revenues, and common revenue recognition principles do not apply. IFRS standards do not directly regulate the structure of the

IFRS financial statements of a fund like the Employment Fund, or the basis for recognition and measurement of transactions. The Employment Fund applied the framework of IFRS standards and general principles for recognition and measurement when it prepared its IFRS financial statements. Due to these factors, the primary statements of the Fund's IFRS financial statements are the statement of changes in net position, the statement of net position, and the cash flow statement.

The changes in net position for the financial period consist of the sum of unemployment insurance contributions collected and paid, gains on investments and financial items. The difference between the Fund's assets and liabilities reflects the accumulated net position, which is also referred to as the business cycle buffer. A more detailed description of the business cycle buffer is provided in [note 4.2](#). The Employment Fund has no shares or equity. Therefore, these IFRS financial statements do not include the statement of changes in equity. However, the statement of changes in the net position is presented as a separate primary statement.

During the presented financial periods, the Fund did not have any such transactions

that should have been recognised in other comprehensive income. Therefore, these IFRS financial statements do not include a statement of other comprehensive income. The Employment Fund does not operate as an insurer as it does not issue or hold insurance or reinsurance contracts. Therefore, the Fund's operations are not within the scope of IFRS 4 Insurance Contracts. The principal valuation method used in the financial statements is the acquisition cost, although financial assets and liabilities recognised at fair value through profit or loss are measured at fair value. The financial statements are presented in euros unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the financial statements. The significant accounting estimates and judgements are described in [note 3](#).

There are no new IFRS standards or IFRIC interpretations that are not yet effective and that would be expected to have a material impact on the Employment Fund.

2.2 Foreign currency translation

The financial statements are prepared in euros which is the Employment Fund's functional and presentation currency. The Fund's foreign currency transactions are translated into the operating currency at the exchange rates prevailing on the transaction dates. Deposits denominated in foreign currencies are measured at fair value through profit and loss, and the effects of changes in exchange rates have been presented as part of the total fair value change.

2.3 Unemployment insurance contributions

The Employment Fund assesses and collects unemployment insurance contributions based on chapter 7 of the Act on the Financing of Unemployment Benefits. Employers have reported the salaries they have paid to employees in the Incomes Register since 1 January 2019. The unemployment insurance contributions have been assessed on the basis of the income information reported to the Incomes Register. At the same time, the contributions have been assessed using more up-to-date information about the actual payroll sums. Unemployment insurance contributions are assessed four times per year based on the payroll information for the three preceding calendar months. Unemployment

insurance contribution income is recognised in the financial statements on an accrual basis, and the unemployment insurance income for the final quarter of the year is recognised in the balance sheet under pre-payments and accrued income.

Due to a legislative amendment, the prepayment model previously used for the determination of unemployment insurance contributions was permanently waived on 1 January 2021. Prior to 2021, the amount of unemployment insurance contributions could still be determined as an advance at the employer's request.

Liability components of employer's unemployment allowances

The Employment Fund assesses and collects liability component compensation of unemployment allowances from employers. The liability component of unemployment security applies to employers whose payroll amount, serving as the basis for the calculation of the unemployment insurance contribution, exceeds a minimum level of EUR 2,169,000 (in 2021). An employer may be obligated to pay the employer's liability component if they have dismissed or laid off an older employee whose employment

relationship has lasted at least three years and the employee has been unemployed or laid off for a long time. Unemployment benefit expenses are financed by the liability components.

Collected liability component contributions that cover the cost of daily unemployment allowances are recognised as income for the period when the amount of income can be reliably measured. In order to cover the cost of additional daily allowances, the collected liability components are recognised as income within several financial periods based on the estimate of the realisation of corresponding expenses.

Conduct according to chapter 12, section 3 of the Employment Contracts Act

According to the Employment Contracts Act, when a court of law handles a reconciliation matter, it must provide the Employment Fund with the opportunity to be heard. As a rule, 75% of the earnings-related daily unemployment allowance received by the employee during the indemnity period is deducted from the indemnity imposed on the employer for wrongful termination of employment. The court must order the employer to pay the amount deducted from

the compensation to the Employment Fund and inform it of the final judgment or ruling on the case. The payment of the deduction to the Fund must also take place when the employer and employee reach a settlement on the compensation payable for wrongful termination of employment.

Receivables subject to debt-collection

The Fund collects and monitors neglected unemployment insurance contributions, those subject to enforcement, and contributions due by companies in bankruptcy or debt restructuring proceedings. As the receivables do not include any significant financial components, the Fund has used the simplified model permitted by IFRS 9.

2.4 Subsidies to unemployment funds

Under the Act on the Financing of Unemployment Benefits (555/1998), with regard to the financing of earnings-related unemployment allowances, the Employment Fund is liable for the costs incurred from unemployment allowances, employment promotion measures, and from job alternation compensation, insofar as the state or individual unemployment funds are not liable for these. The above-mentioned benefits are paid from the unemployment funds.

In addition, the Employment Fund is liable for the insurance contributions for unemployed persons and recipients of the adult education allowance that are paid through the Finnish Centre for Pensions to the employment pension institutions.

According to the Decree on the Implementation of the Act on Unemployment Funds (272/2001), the Employment Fund is tasked with processing prepayment applications and payment decisions and monitoring the sufficiency of prepayments. The Fund makes prepayments to the unemployment funds twice a month in accordance with the budget approved at the end of the previous financial period. The Fund receives monthly statistics from the Financial Supervisory Authority on the accumulated allowances paid by the funds to their customers, and based on that, the Fund has accrued the prepayments and actual payments to each fund either as a receivable or liability in its accounts. This accrual is recognised by benefit type.

The funds for the government contribution paid to unemployment funds are received from the Ministry of Social Affairs and Health. The Fund transfers the prepayments

of government contributions to the unemployment funds on the first banking day of each month. In 2021, the Ministry of Social Affairs and Health paid government contributions to the Fund as fixed monthly prepayments, unless otherwise proposed by the Employment Fund.

The income received from the ministries and the expenditures paid to the unemployment funds have been recognised in amounts corresponding to the benefit payments made by the funds to their customers. The Ministry of Social Affairs and Health will confirm the financial statements of the unemployment funds on the basis of final information in summer 2022, at which point the Fund will make equalisations in the account balances between the unemployment funds and the state.

Under section 4 of the Act on the Financing of Unemployment Benefits, the Employment Fund has sole responsibility for funding the increased earnings-related component laid down in section 6 of the Act on Unemployment Security. From the beginning of 2015, the means by which the higher income earnings-related unemployment allowances are calculated was changed

so that the level of allowances decreased slightly. The same change was carried out regarding the supplementary earnings-related allowances. These changes implement the reduction of unemployment allowances as specified in the Finnish Government's framework decision. The change decreases expenditure related to earnings-related daily unemployment allowances. To implement government savings, the Employment Fund pays the amount of savings (approximately EUR 50.3 million) yearly to Kela to finance basic social security under section 23 of the Act on the Financing of Unemployment Benefits (555/1998).

Payments to the Finnish Centre for Pensions and State Pension Fund and their interest rates

The Employment Fund's second-largest expense has been the contribution paid to the Finnish Centre for Pensions to cover the pension liabilities and expenses arising from taking into account the time of unemployment, education and job alternation leave (Employees' Pension Act [395/2006], sections 74 and 182). The amount of this contribution is determined by estimating the average amount of pension contributions that would be paid for the unpaid periods that constitute the basis of the accrued pension

security. As stated above, the Fund is liable to pay the contribution laid down in sections 62 and 133 of the State Employees' Pensions Act (1295/2006) to the State Pension Fund.

Payments made to the Finnish Centre for Pensions for the financial year in accordance with section 12c of the Employees Pensions Act (561/1998) are based on an estimate provided by the Finnish Centre for Pensions and adjusted in the financial statements. The difference between the payments made and the adjusted estimate is recognised as prepayments and accrued income or accruals and deferred income. The final payment amount is received from the Finnish Centre for Pensions in the spring of the year following the financial year, and the difference between the final payment and payment estimate used in the financial statements is presented as an adjustment, an equalisation payment for the previous year, in the following year's financial statements. The revised payment for the year and the equalisation payment for the previous year have been specified in the notes to the financial statements.

The Finnish Centre for Pensions assigns interest on the charges imposed on the

Employment Fund according to the TyEL premium insurance interest rate. The revised payment included in the financial statements accrues interest until the end of the financial year (debiting interest). The Finnish Centre for Pensions refunds the interest to the Unemployment Insurance Fund according to the actual payments and payment dates (compensatory interest).

The final payment amount determined in the following year accrues interest until the clearance date agreed between the Finnish Centre for Pensions and the Employment Fund (previous year's debiting interest). Compensatory interest is correspondingly calculated for all payments made by the Fund in the previous year (compensatory interest for the previous year's payments). The debiting and compensatory interests for payments to the State Pension Fund are calculated in a manner identical to the above.

Settlement to Kela of income from the unemployment insurance contributions of employees who are not members of an unemployment fund

Under sections 8 and 23 of the Act on the Financing of Unemployment Benefits (555/1998), the Fund makes an annual

prepayment to Kela from the employees' unemployment insurance contribution income, corresponding to the percentage of employees who are not members of an unemployment fund. The amount of the settlement is estimated from data collected by Statistic Finland, and the estimate is confirmed by the Ministry of Social Affairs and Health. The final amount of the payment is based on a calculation prepared by the Ministry of Social Affairs and Health of the amount of benefits financed in this manner paid by Kela during the financial period.

Adult education benefits

The Employment Fund grants and pays adult education allowance and scholarships for qualified employees in accordance with the Act on Adult Education Benefits (1276/2000). The Employment Fund is also responsible for financing the adult education allowances for employees and scholarships for qualified employees working for employers other than the State. The State is responsible for financing adult education allowances for entrepreneurs and scholarships for qualified employees working for the State. The responsibility for financing is stipulated in section 30 of the Act on Adult Education Benefits.

Financing of pay security

Under section 31 of the Pay Security Act (866/1998), the Employment Fund is responsible for the State's pay security expenses. Pay security expenses are paid once per year, normally in the spring of the following year, to the Ministry of Economic Affairs and Employment, based on an invoice sent by the Ministry.

Member State invoicing for unemployment allowances

Article 65 of Regulation (EC) No 883/2004 of the European Parliament and of the Council on the coordination of social security systems (basic regulation) provides for situations in which a person becomes unemployed after working in a Member State other than their country of residence. In Finland, the Employment Fund has been designated as the competent body when implementing this basic regulation with regard to earnings-related unemployment insurance. The Fund's responsibilities include the payment and collection of the compensation laid down in paragraphs 6 and 7 of Article 65, incurred from unemployment allowance paid to the members of unemployment funds.

The Fund applies for compensation from Member States depending on how

the unemployment funds have paid the unemployment allowances to those who have been working in another Member State. In turn, Member States apply for compensation from the Employment Fund. The benefits will be fully repaid, but not more than the amount that would have been paid in the country of employment. Income and expenses are recognised on a cash basis.

Training compensation

In addition, the Employment Fund manages employers' training compensation. The training compensation is based on the Act on Compensations for Training (1140/2013). The training compensation is a monetary support to develop competence for those employers who are not eligible for a training deduction granted by the Business Income Tax Act or Agricultural Income Tax Act. Such employers include municipalities, churches and non-profit organisations. The purpose of training compensation is to improve the employer's opportunities to organise training for its employees, to develop their vocational competence.

Training compensation can be received for a maximum of three training days per employee annually. The financing of

training compensation has been designated so that each calendar year, the Ministry of Finance pays the amount that the Fund has refunded to employers in the form of training compensation based on an application from the Employment Fund.

Pensions and employee benefits

The Employment Fund only has defined contribution pension schemes. Statutory pensions are managed by a pension insurance provider. Pension contributions are recognised as expenses for the financial period in which the payments are incurred. The Fund has a bonus system for the employees. The Board of Directors decides on the payment of any bonuses on the Managing Director's proposal and in compliance with the bonus criteria. Realised bonuses are recognised as expenses for the financial period relevant to the bonus system.

2.5 Property, plant and equipment

Property, plant and equipment includes the Fund's machinery and equipment and the leasehold improvements. Property, plant and equipment are measured in the statement of the net position at the historical cost minus the accumulated depreciation and impairment charges.

Leasehold improvements are added to the premises improvement's carrying amount when it is probable that future economic benefits associated with the item will flow to the Fund. The expenses of ordinary repair and maintenance costs are reported in the period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method over their estimated useful lives.

As a rule, the residual value is estimated to be zero. Assets' residual values and useful lives are reviewed when financial statements are prepared. Depreciation periods are adjusted if the estimate changes significantly. Estimated useful lives by asset class are as follows:

- Leasehold improvements 5 years
- Machines and equipment 3 years

Gains and losses on disposal and decommissioning of property, plant and equipment are calculated as the difference between net proceeds and the carrying amount. Gains and losses on disposals are included in the administrative expenses in the statement of changes in net position.

2.6 Intangible assets

Intangible assets with finite useful life include acquired or internally produced computer software, and other intangible assets when it is probable that future economic benefits associated with the asset will flow to the Fund and the cost can be measured reliably. Implementation costs related to the cloud computing service arrangement, which is a service contract, are primarily recorded as expenses incurred when the relevant implementation service is obtained. Implementation costs related to the cloud service arrangement are only capitalised and amortised over a longer period of time in cases where the implementation service is not distinct from the service that allows access to the software, or when the costs relate to the creation of a separate intangible asset.

The cost of an internally generated intangible asset is defined as the sum of directly attributable production costs allocated to the asset.

Costs associated with maintaining computer software are reported as expenses incurred. Research costs are recognised as an

expense in the financial period in which they are incurred. Development costs that are attributable to the design and testing of software, or to significant changes to existing software, are capitalised only when they meet the above-mentioned criteria of recognition to the statement of net position.

Intangible assets with finite useful life are measured at historical cost less amortisation and impairment charges. Amortisation of intangible assets is calculated using the straight-line method over their useful lives. Estimated useful lives by asset class are as follows:

- Computer software 3 years
- Software development expenditure 3 years

2.7 Impairment of non-financial assets

At the end of each financial period, it is assessed whether there have been any events or changes in circumstances that indicate that the value of an intangible asset or an item of property, plant and equipment subject to amortisation or depreciation may have changed. If there are any indicators of impairment, the recoverable amount is determined.

The recoverable amount is the asset's fair value less the costs of disposal or the value in use, whichever is higher. Value in use refers to the asset's expected future net cash flows that have been discounted to net present value by using the determined discount rate. An impairment loss is recognised in the statement of changes in net position for the amount by which the asset's carrying amount exceeds its recoverable amount. The useful life of a depreciated asset is reviewed in connection with the recognition of impairment losses.

Impairments are reversed if circumstances change and an asset's recoverable amount changes after the recognition of the impairment, but not to an amount higher than the carrying value would be without the impairment charge.

2.8 Financial assets and liabilities

Financial assets

The Employment Fund applies the IFRS 9 (Financial Instruments) standard, which was published by the International Accounting Standards Board and took effect on 1 January 2018. IFRS 9 specifies how an entity should classify and measure financial assets. It also includes a model for impairment charges based on expected losses and general requirements for hedge accounting. IFRS 9 requires financial assets to be classified into three measurement categories: those measured at amortised cost, those measured at fair value through other comprehensive income and those measured at fair value through profit and loss. For financial liabilities, the standard retains most of the IAS 39 requirements. For impairment, a model based on expected credit losses is used.

The Employment Fund's financial assets consist of investments as well as cash and cash equivalents. At the date of acquisition, the management of the Fund classifies the financial assets into classes that determine the basis of valuation. All financial assets are recognised on the trade date; that is the day

when the Fund commits to buy or sell the asset.

Investments are presented in the statement of net position as current assets unless their maturity is over 12 months and the management intends to dispose of them more than 12 months after the reporting date.

Investments are initially recognised at fair value. Transaction costs are recognised directly as expenses. After initial recognition, the investments are measured at fair value on each reporting date, and realised and unrealised changes in fair value are recognised in the statement of changes in net position in the period in which they arise. Net changes in fair value are presented in the statement of changes in net position on the line "Net income from measuring investments at fair value". All interest and dividend income from investments are included in the net change of the fair value. The basis for defining fair value is presented in [note 15](#).

Financial assets are de-recognised when the rights to receive cash flows have expired or have been transferred to another party such that all the risks and rewards have been transferred.

**Cash and cash equivalents**

Cash and cash equivalents include cash in hand and deposits held at call with banks.

Loans

Loans are recognised initially at fair value, the net of the transaction costs incurred. Loans are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of changes in net position over the period of the loan using the effective interest method.

Fees paid on loan facilities are recognised as the transaction costs of the loan to the extent that it is probable that some or all of the facility will be withdrawn. In this case, the fee is deferred and recognised in the statement of net position until the loan is withdrawn. To the extent there is no evidence

that it is probable that some or all the loans of the facility will be withdrawn, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility.

2.9 Rental agreements

IFRS 16 specifies the requirements concerning recognition, valuation and information to be presented in the financial statements. The standard introduces a single lessee accounting model. In principle, all leases with a term of more than one year are recognised in the balance sheet, unless the underlying asset is of low value. On the first day of the lease, the lessee recognises a liability for its obligation to make lease payments (i.e., a lease liability) and an asset item for its right to use the asset (i.e., a fixed asset item). The lessee must recognise the interest expenses on the liability and the

planned depreciation on the asset item. In addition, the lessee must redefine the amount of the lease liability in conjunction with certain events (such as a change in the term of the lease or changes to the lease payments due to index adjustments). The Fund uses the transition relief permitted by IFRS 16 with regard to short-term leases (with terms of less than 12 months) and leases of low-value assets.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires the management to make estimates and assumptions that have affected the income, expenses, assets and liabilities presented in the financial statements. Judgement is also needed in the application of accounting policies. The estimates are based on the best information available at the reporting date. The evaluation is based on both earlier experience and assumptions about the future that are most probable on the reporting date. Actual results can differ from these decisions made based on these estimates and assumptions. Possible changes in estimates are recognised in the period in which the estimate is adjusted and all subsequent periods. The planning and management of the Employment Fund's finances are largely based on forecasts of the development of the unemployment rate, unemployment expenses, the employment rate and wages. Under normal conditions, the Fund must set the insurance contributions at a sufficient level so that all projected expenses can be covered with the insurance contributions.

The unemployment insurance contributions (contribution rates) are set for one year at a time. When the contributions are changed, the employers' and employees' contributions are changed by the same percentage. The forecast deviation in the change in net position between the budget prepared in August in the preceding year and the financial statements, which are prepared more than a year later, has averaged 5% of expenses over the last five years. In 2021, the forecast deviation was on par with the average from the previous years.

If necessary, the Fund exercises judgement in applying the valuation methods used in the measurement of fair value insofar as the fair values are not received as direct prices from active markets.

Fair value determination of current money market investments is based on the discounted cash flows, and management has used judgement when it has concluded that the change of credit risk does not have a material impact on the change of fair values of investments due to their short duration and high credit rating. The Fund's critical

assumptions concerning the future and key uncertainties in the reporting date are related to the factors mentioned above.

Credit losses

The Employment Fund applies the IFRS 9 standard model for expected losses when estimating impairment charges associated with uncertain unemployment insurance contribution receivables. In this model, expected losses are recognised for the entire validity period of the financial asset, and the model is based on the amount of the outstanding receivables and the time period for which they remain outstanding. The parameters applied in the model are based on an estimate of the amount of unemployment insurance contribution receivables, liability component receivables, ECA receivables, benefit receivables and interest receivables to be recognised as credit losses on the reporting date. Expected credit losses throughout the entire period of validity are calculated by multiplying the gross carrying value of the unpaid receivables by the expected proportion of loss. Changes to expected credit losses are recognised through profit and loss.

Segment reporting

The IFRS 8 Operating Segments standard requires entities to disclose information to enable users of financial statements to evaluate the nature and financial effects of the business activities in which the entity engages and the economic environments in which it operates. As defined in the standard, an operating segment is a component of an entity:

- A. that engages in activities from which it may earn revenues and incur expenses
- B. whose operating results are regularly reviewed by the entity's most senior executive decision-maker to make decisions about resources to be allocated to the segment and assess its performance, and
- C. for which discrete financial information is available.

Further, according to the definition of the standard, the function of the most senior executive decision-maker is to allocate

resources to and assess the performance of the operating segments of an entity.

The Employment Fund is tasked with collecting unemployment insurance contributions, the level of which has been determined by the public authorities. The Fund pays the collected contributions onwards, mainly to unemployment funds.

The Employment Fund uses the collected contributions for conservative investment activities in order to cover current financing contributions. The Fund also covers any deficits it incurs with loan financing.

The Employment Fund is a non-profit, government-affiliated fund. The management monitors the Fund's activities as a single entity, which consists of the contributions collected and benefits paid, resulting in a change in net position. The Fund's management does not actually allocate

resources to the entity's activities or review the effectiveness of operations.

For these reasons, the Employment Fund's management has made the assessment that the presentation of segment information is not appropriate. Presenting segment information would not improve the ability of a reader of the financial statements to assess the Fund's operations, nature of the operating environment and financial effects. According to the Employment Fund's management, the nature of the Fund's operations and operating environment and the financial impacts are fairly presented in the IFRS financial statements.



4 FINANCIAL RISK MANAGEMENT

The Fund seeks to limit financial and investment risks to a level where their realisation will not result in significant losses for the Fund to the extent of creating pressure to increase contributions or endanger the liquidity of the Fund. The investment and financing activities and risk limits of the Employment Fund are provided for in more detail in the investment principles approved by the Supervisory Board and the investment plan and debt-management plan approved by the Board of Directors.

As a rule, the market risk of investments is measured by using the stress-test method, in which a risk indicator expressed as annual volatility is assigned to each investment class on the basis of historical fluctuations in value. The Employment Fund's financial risks relate mainly to investments, and

they comprise market risk, credit and counterparty risk and liquidity risk. Investments are diversified in accordance with the investment principles confirmed by the Supervisory Board across various asset classes so as to reduce financial risks. Risk limits are set to such a level that their realisation would not result in the Fund incurring losses that would give rise to pressures to increase the level of contributions. The Fund may enter into derivative contracts for hedging purposes; however, derivatives were not used during the periods presented.

The Fund measures all its investments at fair value because they have been designated as financial assets at fair value through profit and loss. The investments are itemised in [note 15](#), along with their fair values by asset class.

4.1 Financial risk factors

Market risk

The main market risk factor for the Fund's investments and liabilities is the interest rate risk. The Fund's investment portfolio is dominated by fixed-income investments (money market investments and bonds).

The Fund may make investments directly, or indirectly through investment funds. At the end of the review period, 27% (17%) of investments were indirect investments.





On 31 December 2021 and 31 December 2020, the market risks for the investments were as follows:

31 Dec 2021	Risk (%)	Capital EUR thousand	Risk EUR thousand
Bank deposits	0.50%	289,826	1,449
Money market	1.00%	356,447	3,564
State and municipal bonds	4.00%	194,018	7,761
Bank bonds	4.50%	252,160	11,347
Corporate bonds	5.00%	162,983	8,149
Shares	25.00%	38,159	9,540
Alternative investments	10.00%	42,865	4,287
Total risk	3.45%	1,336,458	46,097

31 Dec 2020	Risk (%)	Capital EUR thousand	Risk EUR thousand
Bank deposits	0.50%	739,733	3,699
Money market	1.00%	287,607	2,876
State and municipal bonds	4.00%	395,552	15,822
Bank bonds	4.50%	307,391	13,833
Corporate bonds	5.00%	78,879	3,944
Shares	25.00%	4	1
Alternative investments	10.00%	21,476	2,148
Total risk	2.31%	1,830,641	42,322

The total risk was 3.45% (2.31%) of the Fund's assets and 1.4% (1.2%) of the Fund's income in 2021. The risk posed by the investment portfolio is moderate due to its conservative structure and moderately low risk level of the securities in the portfolio.

All money market investments carry variable interest rates (100%). Altogether, 9% (9%) of the bonds were at variable rates. Variable-rate investments expose the Fund to a cash flow interest rate risk, while investments at fixed rates expose the Fund to a fair value interest rate risk.

If on 31 December 2021 the Euribor rates and interest rate curve (swap rates) had been 0.5 percentage points higher while all other the variables remained constant, the total change in net position would have been reduced by EUR 6.06 (8.40) million. Respectively, if on 31 December 2021 the Euribor rates and interest rate curve (swap rates) had been 0.5 percentage points lower, the total change in net position would have been increased by EUR 6.06 (8.40) million.

Credit risk

The credit risk of the investments is managed by issuer credit limits. Limits for each issuer are determined by taking account of the absolute size, economic position and future outlook of the issuer. The Fund continuously monitors the credit standing and future outlook of the issuers, and when changes occur, the limits are either increased or decreased. The Fund mainly invests in banks in the Nordic countries which have high credit ratings, states with strong credit ratings (Finland, Germany, the Netherlands, Belgium, France, Austria and Sweden), companies mainly in Finland and some in Sweden, and municipalities. Cash and cash equivalents are only held at banks with high credit ratings.

The spread duration of the credit risk included in the investments at the end of the period under review was 1.49 (1.64) years.

The average credit rating of the investment portfolio is evaluated on Standard & Poor's rating scale, which is based on historical probabilities of credit losses. The credit rating of the investment portfolio was estimated to be BBB+ on 31 December 2021 (BBB+). The following table describes the Employment Fund's fixed-income investments and creditworthiness by group. The figures are expressed in thousands of euros.

Investments distributed by the issuer's rating (EUR thousand) *	31 Dec 2021	31 Dec 2021 (%)	31 Dec 2020	31 Dec 2020 (%)
AAA	61,332	4.9%	139,286	7.7%
AA+	110,224	8.8%	206,946	11.5%
AA	51,395	4.1%	63,630	3.5%
AA-	403,849	32.2%	767,022	42.5%
A+	119,822	9.5%	74,908	4.2%
A	63,722	5.1%	118,532	6.6%
A-	121,257	9.7%	122,900	6.8%
BBB+	55,768	4.4%	46,341	2.6%
BBB	180,243	14.4%	137,429	7.6%
BBB-	31,265	2.5%	54,679	3.0%
BB+	6,812	0.5%	22,913	1.3%
BB	3,649	0.3%	6,280	0.3%
BB-	-	0.0%	-	0.0%
B+	-	0.0%	-	0.0%
B	-	0.0%	220	0.0%
B-	-	0.0%	8,008	0.4%
CCC+	-	0.0%	-	0.0%
CCC	-	0.0%	198	0.0%
NR	46,100	3.7%	35,231	2.0%
Total	1,255,438	100.0%	1,804,523	100.0%

* The Fund's investments in bonds mainly consist of state and bank bonds. Their creditworthiness has been determined using the S&P credit rating. Most of the banks that the Fund has invested in have good credit ratings. However, not every regional bank and company has an official credit rating, so the credit quality of these entities is determined using credit ratings received from a third party.

The amount of the Employment Fund's unemployment insurance contribution receivables, liability component receivables, ECA receivables, benefit receivables, and interest receivables, are included in the credit risk. The most important factor in the realisation of the aforementioned credit risk is related to cases in which customers liable for paying unemployment insurance contributions become insolvent (due to bankruptcy, corporate restructuring or debt restructuring). In 2021, the number of pending bankruptcy petitions was higher than in 2020 but remained lower than in 2019. The Bankruptcy Act was amended to limit the creditors' right to petition for bankruptcy from May 2020 to September 2021. The trend in the number of bankruptcies in 2022 largely depends on the development of the COVID-19 pandemic. So far, the number of pending bankruptcy petitions has not returned to pre-pandemic levels.

Liquidity risk

The Fund aims to manage liquidity risk as follows:

1. Liquid realisable investments
2. Short-term loans
3. Maintaining unemployment insurance contributions at a reasonable level and increasing them as necessary

To secure its liquidity, the Fund has investments in liquid money market instruments with less than a year's maturity at an amount that equals the Fund's expenses for one month. When the liquidity buffer decreases below the above limit, the Fund uses short-term borrowing to cover the temporary liquidity deficit. For this purpose, the Fund has a commercial paper programme totalling EUR 300 (300) million, of which EUR 200 million remain unused. In addition, the Fund has EUR 800 (800) million in state-guaranteed revolving credit facilities

(RCF) with five commercial banks. The revolving credit facility has not been utilised.

Committed credit facilities, not in use EUR million	31 Dec 2021	31 Dec 2020
Facilities expiring within a year		
RCF (State guarantee) *	800	
Facilities expiring after a year		
RCF (State guarantee)		800
Total	800	800

Uncommitted credit facilities, not in use EUR million	31 Dec 2021	31 Dec 2020
Commercial paper programme	200	212
Total	200	212

* The contracts are subject to an extension option of 12 months.

The Employment Fund also secured its liquidity through debt financing during 2021. For financing, the Fund relies on domestic markets for commercial papers.

The Employment Fund has the following issuer credit ratings as confirmed by Standard & Poor's (30 September 2021):

- Long-term credit rating AA+, stable outlook
- Short-term credit rating A-1+, stable outlook

At the end of the period under review, EUR 1,200 (1,200) million in bonds, and EUR 100 (87.5) million in commercial papers were in use. No short-term bank loans were in use on 31 December 2021 (EUR 0).



The fixed interest rate periods for loans in the statement of the net asset calculations were as presented in the table.

31 Dec 2021 Loans	Nominal value EUR million	Fixed interest rate period in years	Interest rate (%)	Due date	Credit rating
Bond 2023	600	1.46	0.00%	16.6.2023	AA+
Bond 2027	600	5.46	0.01%	16.6.2027	AA+
Commercial papers	100	0.25	-0.30%	1-12 months	No rating
Total	1,300	3.20			

31 Dec 2020 Loans	Nominal value EUR million	Fixed interest rate period in years	Interest rate (%)	Due date	Credit rating
Bond 2023	600	2.46	0.00%	16.6.2023	AA+
Bond 2027	600	6.46	0.01%	16.6.2027	AA+
Commercial papers	88	0.18	-0.12%	1-12 months	No rating
Total	1,288	4.16			



The following tables show the Employment Fund's financial liabilities by group based on the maturities of outstanding contracts.

Maturities of financial liabilities based on contracts (EUR thousand) 31 Dec 2021	Less than 6 months	6-12 months	1-3 years	4-7 years	Total cash flow based on contracts	Book value assets/liabilities
Accounts payable	861				861	861
Loans	100,060	0	600,120	600,180	1,300,360	1,299,187
Liabilities associated with right-of-use assets	3,735				3,735	3,735
Total	104,656	0	600,120	600,180	1,304,956	1,303,783

Maturities of financial liabilities based on contracts (EUR thousand) 31 Dec 2020	Less than 6 months	6-12 months	1-3 years	4-7 years	Total cash flow based on contracts	Book value assets/liabilities
Accounts payable	418				418	418
Loans	87,560	0	600,120	600,180	1,287,860	1,286,634
Liabilities associated with right-of-use assets	574				574	574
Total	88,552	0	600,120	600,180	1,288,852	1,287,626



Responsible investment

Responsibility in investment activities means that we take responsibility and sustainability factors into account in our investment decisions.

When we make investment decisions, we take environmental, social and governance (ESG) factors into consideration in addition to financial indicators. With the exception of index investments, we integrate ESG factors into all our investments insofar as is possible. We do our part to ensure that ESG factors are taken into consideration by commissioning an external party to review our investments two times per year and report any deviations.

We exclude companies whose operating methods are considered irresponsible with regard to factors such as corruption, child labour, employees' rights and human rights from our list of potential investments. Furthermore, we invest in companies that comply with the UN Global Compact wherever possible.

Numerical methods of assessment are used to monitor and analyse the responsibility of the Employment Fund. The goal is to provide a picture of the Fund's responsibility profile and map its development as comprehensively and diversely as possible. Similar metrics have

been used for monitoring since 2019. The responsibility analysis includes a review of aggregated operational responsibility metrics for the investment items and the companies behind them, such as commitment to equality, good governance, and the development of variables used to measure environmental impact. Furthermore, the analysis is meant to demonstrate the impact of the Fund. This is done by classifying the investment items into different responsibility themes based on their effectiveness, measuring the share of companies that comply with the EU taxonomy, and examining the weighting of investment in various sectors connected to UN Sustainable Development Goals.

According to the latest analysis by the asset management company commissioned to assess the responsibility of our investments, our responsibility profile is good. The results from the measurement methods used did not fall significantly short of the benchmark indices for the investment market. In particular, the results related to environmental impact have mostly outperformed the benchmark indices for the portfolio throughout our history of measurement, and continue to do so.

For direct investments in corporate bonds, the historical performance of our portfolio has developed in a positive direction, and several



metrics point to results outperforming the benchmark. Particularly positive observations from the results include a reduction in weighted carbon intensity, as well as lower-than-benchmark levels of water consumption and exposure to sectors with negative impacts on the environment or human health.

There have been substantial changes to the proportion of equity investments and the related strategy, making it difficult to assess historical performance. The most relevant observation is the current situation, in which our responsibility profile either does not significantly deviate from the benchmark index in terms of the ESG factors, or the results outperform the benchmark. As a whole, the environmental footprint of our equity investments significantly outperforms the benchmark index for the investable universe. With regard to our responsibility profile, it is important to note that most of the equity funds employ extensive exclusion criteria and are defined as Article 8 Funds in accordance with the EU SFDR classification. In these funds, sustainability is integrated into portfolio management.

4.2 Business cycle buffer

In accordance with section 3 of the Act on the Financing of Unemployment Benefits, in order to ensure liquidity and balance out changes in unemployment insurance contributions due to foreseeable economic fluctuations in the national economy, the Employment Fund maintains a business cycle buffer that accrues on the basis of the difference between the Fund's income and expenses. In 2021, the maximum amount of buffer corresponded to the annual expenditure for an unemployment rate of six percentage points. During times of severe economic downturn, the Fund may maintain a deficit equal to the amount of expenditure. The investment of assets accrued in the buffer is regulated by the Fund's investment principles, as well as the investment plan approved on an annual basis. The use of debt financing is also regulated by the debt servicing plan.

The maximum amount of buffer is calculated by dividing the Employment Fund's annual expenditure by the average unemployment rate for the year and multiplying the result by six. The following table presents the amount of the business cycle buffer and the minimum and maximum amounts of the buffer as specified in the Act.

EUR million	1 Jan-31 Dec 2021	1 Jan-31 Dec 2020
Business cycle buffer	633	1,045
Maximum amount of buffer	2,220	2,078
Minimum amount of buffer	-2,220	-2,078

5 UNEMPLOYMENT INSURANCE CONTRIBUTIONS

EUR thousand	1 Jan-31 Dec 2021	1 Jan-31 Dec 2020
Employer's unemployment insurance contributions		
Employer's insurance contributions	1,156,781	990,144
Employer's insurance contributions, co-owners	2,082	2,003
Total	1,158,862	992,147
Employee's unemployment insurance contributions		
Employee's insurance contributions	1,238,402	1,070,893
Employee's insurance contributions, co-owners	2,705	1,157
Total	1,241,107	1,072,050
Collection fee income and credit losses		
Interest on overdue employer contributions	340	268
Interest on overdue employee contributions	281	445
Collection fee income	159	190
Total	780	903
Liability components of employer's unemployment allowances		
Liability components	14,944	14,113
Accruals	7,826	12,266
Total	22,770	26,379
Compensation in accordance with the Employment Contracts Act (ECA)		
Compensation and lay-off income according to the ECA	1,127	1,046
Settlement to the Ministry of Social Affairs and Health	-473	-635
Total	654	412
Contributions from the Ministry of Social Affairs and Health		
Earnings-related unemployment allowance	896,630	882,897
Lay-off allowance	0	333,360
Job alternation compensation	9,225	9,800
Equalisation payment for the previous year	2,635	0
Adult education benefits	2,192	2,381
Supplementary financing of administrative expenses	0	20,000
Total	910,681	1,248,438
Total unemployment insurance contributions	3,334,855	3,340,330

6 FINANCING CONTRIBUTIONS PAID

EUR thousand	1 Jan-31 Dec 2021	1 Jan-31 Dec 2020
Contributions paid by the Employment Fund		
Other earnings-related unemployment allowance	-875,669	-820,091
Additional days of allowance	-115,638	-118,512
Lay-off allowance	-442,243	-413,129
Job alternation compensation	-11,960	-12,641
Compensation for administrative expenses	-12,656	-8,716
Equalisation payment for the previous year	-4,627	622
Total	-1,462,793	-1,372,467
Government contribution paid to unemployment funds		
Other earnings-related unemployment allowance	-878,234	-866,040
Lay-off allowance	0	-333,360
Job alternation compensation	-9,225	-9,800
Unemployment allowance / entrepreneurs	-8,623	-10,201
Compensation for administrative expenses	-9,773	-6,656
Supplementary financing of administrative expenses	0	-20,000
Equalisation payment for the previous year	-3,572	937
Total	-909,426	-1,245,120
Finnish Centre for Pensions		
Equalisation payment for the previous year	-66,779	-17,813
Payment for the current financial period	-835,000	-851,800
Total	-901,779	-869,613

EUR thousand	1 Jan-31 Dec 2021	1 Jan-31 Dec 2020
State Pension Fund		
Equalisation payment for the previous year	-1,139	-571
Payment for the current financial period	-10,087	-8,625
Total	-11,226	-9,196
Social Insurance Institution of Finland		
Equalisation payment for the previous year	1	0
Basic allowance, additional component, employment programme additional benefit	-239,000	-207,300
Total	-238,999	-207,300
Adult education benefits		
Scholarships for qualified employees	-10,415	-10,617
Adult education allowance	-175,307	-186,858
Collection expenses for benefits	-6	-4
Total	-185,728	-197,479
Ministry of Economic Affairs and Employment		
Payment for the current financial period	-14,391	-24,909
Total	-14,391	-24,909
Member State invoicing for unemployment allowances		
Invoiced by Member States	-40	-85
Invoiced by the Fund	73	119
Total	33	33
Total financing contributions paid	-3,724,310	-3,926,051

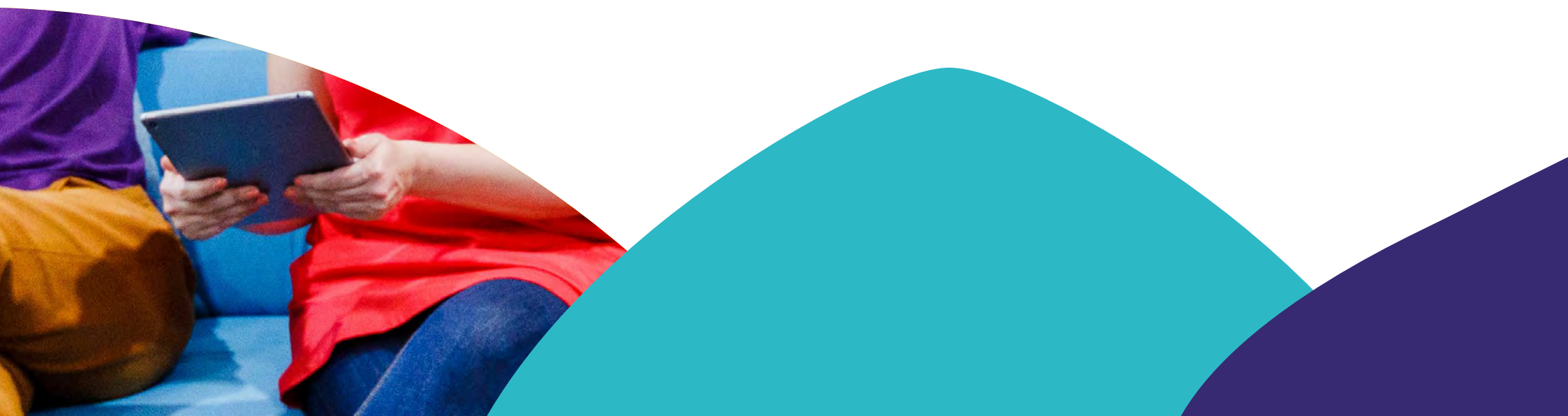
**7 ADMINISTRATIVE EXPENSES**

EUR thousand	1 Jan-31 Dec 2021	1 Jan-31 Dec 2020
Personnel expenses		
Salaries, bonuses, and benefits	-7,887	-6,955
Pension expenses		
- defined contribution plans	-1,341	-1,118
Social security expenses	-258	-211
Total	-9,486	-8,283
Personnel expenses, management salaries, and bonuses		
Management Group (excl. Managing Director)	-635	-563
Managing Director	-169	-162
Board of Directors and Supervisory Board	-155	-153
Pension expenses		
- defined contribution plans	-151	-134
Total	-1,110	-1,013
Other administrative expenses		
IT expenses	-3,019	-2,735
Other personnel expenses	-575	-715
Expenses for office premises	-975	-188
Office expenses	-2,114	-1,430
Other expenses	-4,410	-2,968
Amortisation	-4,801	-4,268
Other income		0
Total	-15,893	-12,304
Auditor's fee		
Statutory audit	-92	-85
Other fees	-33	0
Total	-126	-85
Total administrative expenses	-25,505	-20,672

Number of personnel	1 Jan-31 Dec 2021	1 Jan-31 Dec 2020
Employees		
Full-time employees	135	139
Part-time and temporary employees	16	32
Total	151	171

**8 FINANCING COSTS**

EUR thousand	1 Jan-31 Dec 2021	1 Jan-31 Dec 2020
Loan financing expenses		
Revolving credit facility fees	-2,350	-2,221
Accrued expenses from loans	-267	-137
Interest expenses from loans	730	288
Total	-1,887	-2,070
Total financing costs	-1,887	-2,070



9 PROPERTY, PLANT AND EQUIPMENT

EUR thousand	Renovation of office premises	Machines and equipment	IFRS 16 Right-of-use asset	Total
Acquisition costs, 1 Jan 2021	1,013	1,741	3,257	6,011
Additions	0	0	3,735	3,735
Decreases	-1,013	-1,741	-3,257	-6,011
Acquisition costs, 31 Dec 2021	0	0	3,735	3,735
Accumulated depreciation, 1 Jan 2021	1,013	1,697	2,571	5,281
Depreciation during the period	0	43	686	729
Accrued depreciation of decreases	-1,013	-1,741	-3,257	-6,011
Accumulated depreciation, 31 Dec 2021	0	0	0	0
Carrying value, 1 Jan 2021	0	43	686	730
Carrying value, 31 Dec 2021	0	0	3,735	3,735

EUR thousand	Renovation of office premises	Machines and equipment	IFRS 16 Right-of-use asset	Total
Acquisition costs, 1 Jan 2020	1,013	1,741	3,257	6,011
Additions	0	0	0	0
Acquisition costs, 31 Dec 2020	1,013	1,741	3,257	6,011
Accumulated depreciation, 1 Jan 2020	1,013	1,597	1,302	3,912
Depreciation during the period	0	100	1,269	1,369
Accumulated depreciation, 31 Dec 2020	1,013	1,697	2,571	5,281
Carrying value, 1 Jan 2020	0	144	1,955	2,099
Carrying value, 31 Dec 2020	0	43	686	730

10 INTANGIBLE ASSETS

EUR thousand	Software	Software development expenses	Intangible assets in progress *	Total
Acquisition costs, 1 Jan 2021	910	11,250	1,975	14,135
Additions	0	0	667	667
Transfers between items	0	2,642	-2,642	0
Acquisition costs, 31 Dec 2021	910	13,892	0	14,802
Accumulated depreciation, 1 Jan 2021	803	6,428	0	7,231
Depreciation during the period	53	3,903	0	3,956
Accumulated depreciation, 31 Dec 2021	856	10,331	0	11,187
Carrying value, 1 Jan 2021	107	4,821	1,975	6,902
Carrying value, 31 Dec 2021	54	3,560	0	3,614

EUR thousand	Software	Software development expenses	Intangible assets in progress *	Total
Acquisition costs, 1 Jan 2020	787	8,162	2,413	11,362
Additions	123	3,088	2,650	5,861
Decreases	0	0	-3,088	-3,088
Acquisition costs, 31 Dec 2020	910	11,250	1,975	14,135
Accumulated depreciation, 1 Jan 2020	743	3,603	0	4,346
Depreciation during the period	60	2,825	0	2,885
Accumulated depreciation, 31 Dec 2020	803	6,428	0	7,231
Carrying value, 1 Jan 2020	44	4,559	2,413	7,015
Carrying value, 31 Dec 2020	107	4,821	1,975	6,902

* The item, "Intangible assets in progress", consists of capitalised development costs, giving rise to an internally generated intangible asset. Capitalised development expenditure in 2021 mainly consisted of the development of a data system to support the revised processing of education benefits.

**11 RECEIVABLES AND PAYABLES FROM UNEMPLOYMENT INSURANCE CONTRIBUTIONS**

Receivables from unemployment insurance contributions EUR thousand	31 Dec 2021	31 Dec 2020
Receivables from employer's unemployment insurance contribution *	922	4,402
Receivables from employee's unemployment insurance contribution *	1,980	1,941
Overdue contribution and collection fee receivables *	455	754
Receivables from unemployment insurance contributions	3,356	7,097
Deferred unemployment insurance contribution receivables	622,164	535,768
Total unemployment insurance contribution receivables	625,520	542,866

Unemployment insurance contribution liabilities EUR thousand	31 Dec 2021	31 Dec 2020
Prepayments	298	332
Refunds	1,548	1,468
Total unemployment insurance contribution payables	1,846	1,800

* includes credit loss provisions for insurance contribution receivables ([note 12](#)).



**12 LIFETIME EXPECTED CREDIT LOSSES FROM THE UNEMPLOYMENT INSURANCE RECEIVABLES -
AND FROM THE ADULT EDUCATION BENEFITS TO BE RECOVERED (IFRS 9)**

EUR thousand	Employer's unemployment insurance contribution receivables	Employee's unemployment insurance contribution receivables	Overdue contribution and collection fee receivables for unemployment insurance contributions	Adult education benefits to be recovered*	Total
1 Jan 2021	-2,640	-4,944	-522	-120	-8,225
Change	-312	-498	-78	-19	-906
31 Dec 2021	-2,951	-5,442	-600	-139	-9,132
1 Jan 2020	-2,910	-3,834	-150	-1,894	-8,788
Change	271	-1,110	-372	1,774	563
31 Dec 2020	-2,640	-4,944	-522	-120	-8,225

* The credit loss model applied to adult education benefits to be recovered was changed in 2020.

**13 OTHER RECEIVABLES**

Total non-current other receivables EUR thousand	31 Dec 2021	31 Dec 2020
Other receivables (rental deposit)	328	328
Total non-current other receivables	328	328

Total current other receivables EUR thousand	31 Dec 2021	31 Dec 2020
Receivables from unemployment funds	14,311	16,527
Finnish Centre for Pensions, compensatory interest	9,437	0
Education allowance receivables	1,678	1,855
Receivables from the Government related to training compensation	3	0
Employer's liability component receivables and compensation based on the Employment Contracts Act	1,500	637
Receivables from the State Pension Fund	102	93
Receivables from the Ministry of Social Affairs and Health	5,072	19,668
Receivables from the Social Insurance Institution of Finland	46	36
Prepayments	312	794
Tax assets	10	1
Pay security (Ministry of Economic Affairs and Employment)	13,821	2,141
Total current other receivables	46,292	41,751
Total other receivables	46,621	42,079

**14 NET FAIR VALUE GAINS ON INVESTMENTS**

EUR thousand	1 Jan-31 Dec 2021	1 Jan-31 Dec 2020
Dividend income	659	731
Gains on disposals	1,980	2,102
Other income	38	37
Net interest income	3,460	4,011
Net foreign exchange gains	10	147
Net change in value	9,115	-3,137
Losses on disposals	-10,889	-16,711
Other expenses	-247	-250
Net gains on investments	4,124	-13,072



15 INVESTMENTS

Investments in financial assets have been designated as financial assets at fair value through profit and loss, and are measured at fair value. Measurement of these assets is largely based on either quoted prices, or valuations based on available market data. Financial instruments carried at fair value have been divided into three hierarchy levels based on whether they are traded in active markets, and to what extent the inputs are based on observable market data, as follows:

Level 1 The valuation is based on quoted prices in active markets for identical financial assets and liabilities.

Level 2 The inputs used in valuations are also based, either directly or indirectly, using valuation techniques on observable inputs other than those on Level 1.

Level 3 The valuation is based on information other than observable market data.





In the tables below, investments have been specified by financial instrument classes and divided into fair value hierarchy levels. No reclassifications have been made between the hierarchy levels during the financial period.

EUR thousand 31 Dec 2021	Level 1	Level 2	Level 3	Total
State and municipal bonds	118,939	75,079		194,018
Bank bonds	232,603			232,603
Corporate bonds	148,066			148,066
Investments in funds and shares	221,257	18,815		240,072
Mezzanine funds			1,988	1,988
Deposits		105,140		105,140
Certificates of deposit		21,017		21,017
Municipal papers		1,000		1,000
Commercial papers		61,512		61,512
Alternative investments			40,877	40,877
Total	720,864	282,563	42,865	1,046,293

EUR thousand 31 Dec 2020	Level 1	Level 2	Level 3	Total
State and municipal bonds	295,501	100,121		395,623
Bank bonds	287,424			287,424
Corporate bonds	78,879			78,879
Investments in funds and shares	168,447	13,847		182,295
Mezzanine funds			2,904	2,904
Deposits		62,370		62,370
Certificates of deposit		41,078		41,078
Municipal papers				
Commercial papers		125,283		125,283
Alternative investments			18,566	18,566
Total	830,252	342,700	21,470	1,194,422

Changes in Level 3 financial assets measured at fair value

EUR thousand	1 Jan 2021	Unrealised profit/loss	Realised profit/loss	Purchases	Sales	31 Dec 2021
Mezzanine funds	2,904	454		19	-1,389	1,988
Alternative investments	18,566	1,074		21,237		40,877
Total	21,470	1,528	0	21,256	-1,389	42,865

EUR thousand	1 Jan 2020	Unrealised profit/loss	Realised profit/loss	Purchases	Sales	31 Dec 2020
Mezzanine funds	2,037	877		10	-19	2,904
Alternative investments	17,449	-756	421	2,009	-558	18,566
Total	19,485	121	421	2,019	-577	21,470

Deposits, certificates of deposit, commercial papers and municipal papers at Level 2 have been valued using the discounted cash flow method based on the Euribor or swap curve and on the forward rate, insofar as elements of foreign currencies are involved. Based on the management's judgement, the discount factor has been adjusted for the effect of changes in the credit risk of the investment. However, the adjustment has not had a material impact.

Investments classified at Level 3 are mezzanine funds that are valued based on valuations prepared by the issuer. Investment funds have been measured at the net asset value of the fund as reported by the fund manager as of the reporting date, and they have been classified as Level 1, 2 or 3 assets by their market activity and marketability. Equity investments are quoted on the Helsinki Stock Exchange, and they have been classified at Level 1. The amount of equity investments is minor.

**16 CASH AND CASH EQUIVALENTS**

EUR thousand	31 Dec 2021	31 Dec 2020
Bank deposits	292,326	636,292
Total cash and cash equivalents	292,326	636,292

17 LOANS

Long-term loans EUR thousand	31 Dec 2021	31 Dec 2020
Employment Fund bonds	1,198,945	1,199,122
Total long-term loans	1,198,945	1,199,122

Short-term loans EUR thousand	31 Dec 2021	31 Dec 2020
Commercial papers	100,242	87,512
Total short-term loans	100,242	87,512

**18 OTHER LIABILITIES**

EUR thousand	31 Dec 2021	31 Dec 2020
Accounts payable	861	418
Accruals	15,099	4,995
Liability component income accruals	11,270	19,561
Finnish Centre for Pensions, capital accruals	0	1,000
Ministry of Economic Affairs and Employment, pay security accruals	28,212	27,049
Finnish Centre for Pensions, debiting interest	8,319	1,366
Accrual for the State Pension Fund	610	914
Ministry of Social Affairs and Health, liability	9	8
ECA Ministry share	564	687
Administrative expense accruals	531	207
Liabilities to unemployment funds	7,937	28,069
Holiday pay accruals	1,144	1,096
Lease liability	3,735	574
Benefits withholding tax liability	5,689	4,143
Interest accruals	-166	26
Total other liabilities	83,813	90,113

19 LIABILITIES AND RECEIVABLES NOT RECOGNISED IN THE STATEMENT OF NET POSITION

EUR thousand	31 Dec 2021	31 Dec 2020
Committed capital	5,250	5,250
Realised	-5,039	-5,027
Total investment commitments	211	223

Investment funds acquire call investments based on the financing needs of the investment fund. The commitments have no maturity date.

Operating lease commitments

The Fund has rented its office and warehouse premises and a car on non-cancellable lease contracts. On the balance sheet date, there are four years and three months remaining on the lease of the office and warehouse premises, after which the contract becomes cancellable and subject to a notice period of nine months. The remaining term of the lease for the car is two years and ten months.



20 RELATED PARTIES

Related parties of the Fund consist of the Supervisory Board, the Board of Directors and the Management Group. The Employment Fund's Supervisory Board is appointed by the Government based on a proposal made by the labour market parties. The Supervisory Board prepares the proposal for the level of unemployment insurance contributions in its autumn meeting. The Board of Directors is appointed by the Supervisory Board. The Financial Supervisory Authority supervises the Employment Fund's operations. Furthermore, the Ministry of Social Affairs and Health is also entitled to receive information about the Fund's activities.

The government contributions payable to the unemployment funds are received from the Ministry of Social Affairs and Health. The Fund regularly pays benefits to the Finnish Centre for Pensions, State Pension Fund, Social Insurance Institution of Finland (Kela) and the Ministry of Economic Affairs and Employment.

The salaries, bonuses and benefits paid to the related parties are summarised in the table attached, including social security contributions. More detailed breakdowns by each body are included in the section presenting the [Employment Fund's remuneration report for 2021](#).

Fees and other benefits paid to the Board of Directors and the Supervisory Board

EUR thousand	1 Jan-31 Dec 2021	1 Jan-31 Dec 2020
Salaries, bonuses, and benefits	155	153
Pension expenses - defined contribution plans	26	24
Total	181	177

Remuneration of the Management Group members
(excluding the Managing Director)

EUR thousand	31 Dec 2021	31 Dec 2020
Salaries, bonuses, and benefits	635	563
Pension expenses - defined contribution plans	97	85
Total	732	648

Managing Director's salaries and bonuses

EUR thousand	31 Dec 2021	31 Dec 2020
Salaries, bonuses, and benefits	169	162
Pension expenses - defined contribution plans	28	25
Total	197	187

**SIGNATURES ON THE ANNUAL REPORT AND FINANCIAL STATEMENTS**

Helsinki, 22 February 2022

Saana Siekkinen,
Chair

Markku Jalonen,
Vice Chair

Tuomas Aarto

Henrika Nybondas-Kangas

Minna Etu-Seppälä

Antti Palola

Sture Fjäder

Vesa Rantahalvari

Riikka Heikinheimo

Heikki Taulu

Minna Helle

Pirjo Väänänen

Ilkka Kaukoranta

Janne Metsämäki,
Managing Director

Patrizio Lainà



AUDITOR'S STATEMENT

An audit report has been provided today.

Helsinki, 23 February 2022

KPMG Oy Ab
Marcus Tötterman
Authorised Public Accountant

Auditor's Report

To the Supervisory Board of the Employment Fund

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of the Employment Fund (business identity code 1098099-7) for the year ended 31 December, 2021. The financial statements comprise the statement of net position, the statement of changes in net position and statement of cash flows and notes including a summary of significant accounting policies.

In our opinion the financial statements give a true and fair view of the fund's financial performance and financial position in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Board of Directors.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the fund in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We have not provided any non-audit services to the fund.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

Key audit matters	How the matter was addressed in the audit
Determination and collection of unemployment insurance contributions (note 5 to the financial statements)	
<ul style="list-style-type: none">• The determination and collection of unemployment insurance contributions by the Employment Fund is based on legislation. The unemployment insurance contributions which have been presented in the statement of changes in net position for the year 2021, amounted to EUR 3.3 billion.• The unemployment insurance contributions must be determined in such a way so that the Employment Fund is able to meet the obligations being responsible for. Unemployment insurance contributions are determined once per calendar year, in the preceding year.• The Employment Fund determines the contribution amounts and makes prepayment decisions based on the contribution rates which have been ratified by Parliament and the Employment Fund collects these prepayments.• The Employment Fund monitors defaults concerning the obligation to pay unemployment insurance contributions.• As the amount of unemployment insurance contributions is significant in the financial statements and the determination and collection of the contributions is subject to legal requirements, it has been identified as a key audit matter.	<ul style="list-style-type: none">• Our audit has included assessing the process to determine the unemployment insurance contributions and evaluating the control environment.• We have evaluated the process of invoicing, collecting and managing unemployment insurance contributions and have performed substantive testing on chains of transactions.• We have assessed and tested the controls for determining and receiving contributions and for monitoring of payments received.• We have verified the correctness of the relevant payment rates applied in the IT system environment.• In addition, we have familiarised ourselves with the methods for accruing unemployment insurance contributions in accordance with the accruals principle and accounting for impairment of unemployment insurance receivables.• The audit has also included testing of the controls in place over the flow of key data, change management and the transfer of information between systems.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the fund's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention

to liquidate the fund or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and

perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the fund's ability to continue



as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those

matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



OTHER REPORTING REQUIREMENTS

Information on our audit engagement

Employment Fund was established in 2019 and became a public interest entity during the financial year 2020. We have been the fund's auditors since its establishment.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 23 February, 2022

KPMG OY AB

Marcus Tötterman
Authorised Public Accountant, KHT



Työllisyysrahasto
Sysselsättningsfonden | Employment Fund